SECONDARY MARKET DISCLOSURE

Community Development Administration
Maryland Department of Housing and Community Development
Local Government Infrastructure Finance Program

The following financial information is being provided by the Community Development Administration ("the Administration"), a unit in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland ("the Department").

Questions concerning this release should be directed to Investor Relations at (301) 429-7898, or cdabonds_mailbox.dhcd@Maryland.gov.

The Administration

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, as amended, to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") (formerly to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any) in an electronic format as prescribed by the MSRB , when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data (the "Annual Information"):

1. a copy of the annual financial statements of the Administration's Local Government Infrastructure Bonds (Ambac Insured) prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

2. a copy of the annual financial statement of each Local Government having, as of the end of such fiscal year, an aggregate outstanding unpaid principal balance of Infrastructure Loans under the Program equal to or greater than 10% of the outstanding principal amount of all Infrastructure Loans financed under the Program (and, if such Infrastructure Loans are guaranteed by a County or Municipality, the annual financial statement of the County or Municipality), prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant); and

3. an update of the financial information in this Official Statement contained in Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS" for each Local Government meeting the criteria described in paragraph 2 immediately above.

The Administration may, at its option, satisfy the foregoing obligations by either: (i) providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously, or (ii) to the extent permitted by the Rule, by filing (or requiring Local Governments to file) and incorporating by reference the annual audited financial statements of, or the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A) or any substitute or successor reports) prepared and filed with the Maryland State Department of Legislative Services by, in either case, each County or Municipality receiving an Infrastructure Loan (or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities) made from the proceeds of the Series B Bonds that meets the requirements of paragraph 2 above, for so long as the Infrastructure Loan is outstanding. The Administration may, at its option, but is not obligated to, provide information about other Local Governments receiving an Infrastructure Loan or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities. See Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS - Financial Information of Local Governments" for a description of the Uniform Financial Report.

The Administration is under no obligation to provide any financial information with respect to Ambac; owners of the Bonds must obtain this information from Ambac or other sources. See the heading "BOND INSURANCE - The Insurer" in this Official Statement for the current address from which information about Ambac may be obtained.

NOTE: **The following financial information was not included with this annual filing due on or before March 31st, 2018 for the following reasons:**

1. **On August 2nd, 2017, the Administration closed a 2017 Series A Bond Issue from which certain funds were transferred to the Administration's trustee (M&T Bank) sufficient to pay-off the Town of Centreville's remaining 2007 Series A loan obligation, the City of Crisfield's remaining 2007 Series A loan obligation, and the City of Laurel's remaining 2007 Series B loan obligation. A Conditional Notice of Redemption was issued on July 3rd, 2017, and a corresponding number of bonds were redeemed on August 3rd, 2017. With these actions, the Administration ceased to be an Obligated Party with respect to the redeemed bonds.**
2. **On July 6th, 2017, the Town of Chesapeake Beach wired funds to M&T Bank sufficient to pay-off its remaining 2007 Series A loan obligation. Upon receipt of the pay-off, a Notice of Redemption was issued on July 6th, 2017, and a corresponding number of bonds were redeemed on August 7th, 2017, and the Administration ceased to be an Obligated Party with respect to the redeemed bonds.**

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(AMBAC INSURED)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(AMBAC INSURED)
YEARS ENDED JUNE 30, 2017 AND 2016

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

We have audited the accompanying financial statements of the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2017 and 2016, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2017 and 2016, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2017

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS (AMBAC INSURED)
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2017 AND 2016

	2017	2016
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	$ 1,552	$ 3,272
Community Facilities Loans	9,506	2,249
Accrued Interest Receivable	110	69
Total Restricted Current Assets	11,168	5,590
RESTRICTED LONG-TERM ASSETS		
Community Facilities Loans, Net of Current Portion	6,392	16,646
Total Restricted Long-Term Assets	6,392	16,646
Total Restricted Assets	$ 17,560	$ 22,236
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	$ 54	$ 69
Accounts Payable	2	1
Bonds Payable	10,850	3,975
Due to Local Governments	359	359
Total Current Liabilities	11,265	4,404
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	4,785	16,385
Advance Trustee Fees	155	173
Other Liabilities	50	-
Total Long-Term Liabilities	4,990	16,558
Total Liabilities	16,255	20,962
NET POSITION		
Restricted	1,305	1,274
Total Liabilities and Net Position	$ 17,560	$ 22,236

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS (AMBAC INSURED)
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
(in thousands)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUE		
Interest on Community Facilities Loans	$ 765	$ 1,075
Interest on Cash and Cash Equivalents	7	2
Fee Income	14	21
Other Operating Revenue	-	1
Total Operating Revenue	786	1,099
OPERATING EXPENSES		
Interest Expense on Bonds	755	1,047
Operating Income	31	52
CHANGE IN NET POSITION	31	52
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	1,274	1,222
NET POSITION - RESTRICTED AT END OF YEAR	$ 1,305	$ 1,274

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS (AMBAC INSURED)
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Community Facilities Loans	$ 3,771	$ 21,639
Origination of Community Facilities Loans	-	(941)
Advance Trustee Fees Received	11	76
Trustee Fees Paid	(29)	(31)
Loan Fees Received	14	21
Other Operating Revenue	-	1
Other Reimbursements	1	-
Net Cash Provided by Operating Activities	3,768	20,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash Equivalents	7	2
Net Cash Provided by Investing Activities	7	2
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on Bond Principal	(4,725)	(19,995)
Interest on Bonds	(770)	(1,117)
Net Cash Used in Noncapital Financing Activities	(5,495)	(21,112)
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(1,720)	(345)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	3,272	3,617
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 1,552	$ 3,272
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 31	$ 52
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Interest Received on Cash Equivalents	(7)	(2)
Interest on Bonds	770	1,117
Decrease (Increase) in Assets:		
Community Facilities Loans	2,997	20,496
Accrued Interest Receivable	(41)	68
(Decrease) Increase in Liabilities:		
Accrued Interest Payable	(15)	(70)
Accounts Payable	1	1
Due to Local Governments	-	(942)
Advance Trustee Fees and Other Liabilities	32	45
Net Cash Provided by Operating Activities	$ 3,768	$ 20,765

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Local Government Infrastructure Bonds (Ambac Insured) pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Local Government Infrastructure Bonds (Ambac Insured) (the Fund). CDA's other Funds are not included.

The Fund was established to issue bonds to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting and Measurement Focus

The basis of accounting for the Fund is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Fund are included on the Statements of Net Position. The Fund is required to follow all statements of the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not included in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2017 and 2016, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2017 and 2016.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2017 and 2016, all loans were current. Therefore, all accrued interest on loans was recorded during the year.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 5, 6, 7 and 8 for additional information.

Due to Local Governments

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn loan amount which is held by CDA as an escrow until the funds are needed by the local government.

Fee Income

CDA receives financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and are reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 9 for additional information.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund's activities are considered to be operating.

Use of 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the Local Government Infrastructure Bonds (Ambac Insured) Resolution (the Resolution) and in CDA’s Investment Policy until required for financing projects, redeeming outstanding bonds and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds and any other investment as defined by the Resolution.

As of June 30, 2017, the Fund had $1,552 invested in a money market mutual fund (BlackRock Liquidity FedFund Administration Shares). As of June 30, 2016, the Fund had $3,272 invested in a money market mutual fund (Federated Prime Cash Obligations Fund). Both are classified as cash and cash equivalents. The following represents the GASB evaluation of these assets for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA’s Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. Both operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Both can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As of June 30, 2017 and 2016, the cost of the money market mutual fund approximated fair value.

NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT (CONTINUED)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. Accounting guidance issued by GASB requires disclosure by amount and investment issuer if investments in any one issuer represent 5 percent or more of total investments. Investments in mutual funds are excluded from this requirement.

As of June 30, 2017, the BlackRock Liquidity FedFund Administration Shares was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service. As of June 30, 2016, the Federated Prime Cash Obligations Fund was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2017 and 2016, the Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017 and 2016, all investments were in a money market mutual fund which are not subject to the fair value measurement requirements.

NOTE 4 COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, interest rates on such loans range from 3.87% to 4.60%. Remaining loan terms range from less than 5 years to 20 years and less than 1 year to 21 years, respectively.

(in thousands)

NOTE 5 BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds have fixed interest rates and all bonds are tax-exempt.

The following is a summary of the bond activity for the year ended June 30, 2017 and bonds payable as of June 30, 2017:

	Issue Date	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2016	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2017
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	03/01/02	4.55% - 4.80%	2017 - 2022	$ 195	$ (25)	$ -	$ 170
2004 Series A	04/22/04	4.25% - 4.875%	2017 - 2034	540	(40)	-	500
2004 Series B	11/18/04	3.50% - 4.20%	2017 - 2025	480	(15)	(335)	130
2005 Series A	05/26/05	4.00% - 4.40%	2017 - 2030	3,265	(175)	-	3,090
2006 Series A	04/05/06	4.00% - 4.25%	2017 - 2026	1,825	(30)	(1,440)	355
2007 Series A	05/31/07	4.00% - 4.25%	2017 - 2037	7,175	(565)	-	6,610
2007 Series B	11/14/07	3.75% - 4.25%	2017 - 2027	6,880	(1,350)	(750)	4,780
Total				$ 20,360	$ (2,200)	$ (2,525)	$ 15,635

The following is a summary of the bond activity for the year ended June 30, 2016 and bonds payable as of June 30, 2016:

	Issue Date	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2015	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2016
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	03/01/02	4.45% - 4.80%	2016 - 2022	$ 210	$ (15)	$ -	$ 195
2003 Series A	03/01/03	3.875% - 4.50%	2016 - 2023	970	-	(970)	-
2004 Series A	04/22/04	4.25% - 4.875%	2017 - 2034	3,795	(35)	(3,220)	540
2004 Series B	11/18/04	3.40% - 4.50%	2016 - 2034	3,375	(50)	(2,845)	480
2005 Series A	05/26/05	4.00% - 4.40%	2016 - 2030	6,060	(170)	(2,625)	3,265
2006 Series A	04/05/06	4.00% - 4.25%	2016 - 2026	2,785	(525)	(435)	1,825
2007 Series A	05/31/07	4.00% - 4.25%	2016 - 2037	7,720	(545)	-	7,175
2007 Series B	11/14/07	3.625% - 4.25%	2016 - 2027	15,440	(800)	(7,760)	6,880
Total				$ 40,355	$ (2,140)	$ (17,855)	$ 20,360

(in thousands)

NOTE 6 DEBT SERVICE REQUIREMENTS

As of June 30, 2017, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2017) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Year Ended June 30,	Interest	Principal
2018	$ 309	$ 10,850
2019	204	905
2020	167	370
2021	152	395
2022	135	395
2023-2027	436	1,710
2028-2032	103	965
2033-2037	3	45
Total	$ 1,509	$ 15,635

As of June 30, 2016, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2016) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Year Ended June 30,	Interest	Principal
2017	$ 771	$ 3,975
2018	674	2,025
2019	593	2,110
2020	508	1,625
2021	443	1,700
2022 - 2026	1,324	5,965
2027 - 2031	360	2,315
2032 - 2036	92	540
2037 - 2041	4	105
Total	$ 4,769	$ 20,360

(in thousands)

NOTE 7 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Bonds Payable:		
Beginning Balance at June 30,	$ 20,360	$ 40,355
Additions	-	-
Reductions	(4,725)	(19,995)
Ending Balance at June 30,	15,635	20,360
Less Due Within One Year	(10,850)	(3,975)
Total Long-Term Bonds Payable	4,785	16,385
Other Liabilities - Advance Trustee Fees:		
Beginning Balance at June 30,	173	128
Additions	11	76
Reductions	(29)	(31)
Ending Balance at June 30,	155	173
Total Long-Term Other Liabilities - Advance Trustee Fees	155	173
Other Liabilities:		
Beginning Balance at June 30,	-	-
Additions	50	-
Reductions	-	-
Ending Balance at June 30,	50	-
Total Long-Term Other Liabilities	50	-
Total Long-Term Liabilities	$ 4,990	$ 16,558

NOTE 8 BOND INSURANCE

All outstanding bonds of the Fund are insured by Ambac Assurance Corporation. The provisions of the policy require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer. See Note 5 for list of outstanding bonds.

NOTE 9 PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 10 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2017.

Subsequent to the year ended June 30, 2017, CDA redeemed $5,095 of 2007 Series A bonds and $3,370 of 2007 Series B bonds on August 3, 2017. CDA also redeemed $1,515 of 2007 Series A bonds on August 7, 2017.

ATTACHMENT C

LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS

The Series A Bonds, together with any additional bonds issued under the Bond Resolution in the future (other than Subordinate Bonds), rank on a parity and are equally and ratably secured under the Bond Resolution. Under the Bond Resolution, all Bonds issued and outstanding thereunder are payable from payments made on Local Obligations by Local Governments. All Local Obligations (regardless of when they were entered into or from what Series of Bonds the Infrastructure Loan was made) and the payments made thereon are pledged to pay debt service on all Bonds issued under the Bond Resolution. Therefore, full and timely payment by each Local Government is required to provide sufficient Revenues with which to make payments on the Series A Bonds as well as all additional bonds issued and outstanding under the Bond Resolution.

The following chart contains an update, as of June 30, 2017, of information concerning the Local Governments that have received Infrastructure Loans from the proceeds of the Bonds. This information was originally set forth in Appendix C to the Official Statement for the 2002 Series A Bonds dated March 1, 2002, Appendix C to the Official Statement for the 2002 Series B Bonds dated October 1, 2002, Appendix C to the Official Statement for the 2003 Series A Bonds dated March 1, 2003, Appendix C to the Official Statement for the 2004 Series A Bonds dated April 22, 2004, Appendix C to the Official Statement for the 2004 Series B Bonds dated November 18, 2004, Appendix C to the Official Statement for the 2005 Series A Bonds dated May 26, 2005, Appendix C to the Official Statement for the 2006 Series A Bonds dated April 5, 2006, Appendix C to the Official Statement for the 2007 Series A Bonds dated May 31, 2007, and Appendix C to the Official Statement for the 2007 Series B Bonds dated November 14, 2007 (the “Official Statements”).

AMBAC Indenture (2002-2007) Infrastructure Loans Financed with the Proceeds of the Bonds (Outstanding Loans as of June 30, 2017)					
Local Government	**Location by County**	**Series of Bonds**	**Amount of Loan ($)**	**Remaining Loan Term (in years)**	**Purpose**
Bel Air	Harford	2004A	$218,500	7	Refinance Sewer Agreement Loan
Berlin	Worcester	2007B	$318,400	8	Refinance LGIF[1] 1995 Series A Bond obligation
Centreville [2]	Queen Anne's	2007A	$3,193,500	10	Street, water distribution, and waste water impts.
			$1,490,000	20	Water treatment system construction
Chesapeake Beach [3]	Calvert	2007A	$1,518,300	10	Railway trail, streetscape, and storm water impts.
Crisfield [2]	Somerset	2007A	$408,200	10	Refinance LGIF[1] 1997 Series A Bond obligation
Garrett Park	Montgomery	2002A	$271,400	5	Renovate Penn Place, improve streets & lighting
Havre de Grace	Harford	2006A	$218,500	9	Park improvements program
Laurel [2]	Prince George's	2007B	$3,366,000	5	Street and facility improvements; park improvements and fleet purchases
Middletown	Frederick	2006A	$136,500	9	East Green Street extension and improvements
Perryville	Cecil	2002A	$160,500	5	Refinance bank loan
Perryville	Cecil	2004B	$130,000	7	Street improvements
St. Mary's Metropolitan Commission	St. Mary's	2007B	$1,096,500	10	Water and sewer line impts., pump station, road re-alignment, maintenance facility construction, well and water tower construction
Taneytown	Carroll	2004A	$283,800	17	Renovate City Hall
Westminster	Carroll	2005A	$3,087,900	13	Facility maintenance, work on Green St., and reimbursement
		Total:	**$15,898,000**		

Footnotes:

1 Local Government Infrastructure Finance Program

2 Centreville, Crisfield, and Laurel paid off their loans on 7/03/2017 and CDA redeemed the corresponding bonds on 8/03/2017.

3 Chesapeake Beach paid off its loan on 7/06/2017 and CDA redeemed the corresponding bonds on 8/07/2017.

Financial Information of Local Governments

Each County, Municipality, and special district in the State is required (i) to maintain the uniform system of financial reporting provided by the State's Department of Legislative Services; (ii) pursuant to Article 19, §40 of the Annotated Code of Maryland, to have its books, accounts, records and reports examined at least once each fiscal year by a certified public accountant and to file a copy of the audit report with the Legislative Auditor, and (iii) pursuant to Article 19 §37 of the Annotated Code of Maryland, to file with the State Department of Legislative Services not later than November 1 of each year the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A)) for the fiscal year ending on the immediately preceding June 30. The State Department of Legislative Services extracts information from the Uniform Financial Reports and publishes such information annually in a report to the Governor and General Assembly of Maryland.

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401, or by calling (410) 946-5030.

The following information on each Local Government which will receive an Infrastructure Loan from the proceeds of the Bonds, combines data extracted from the Uniform Financial Reports and data submitted by each Local Government. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government, County, or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

NOTE: **The following financial information was not included with this annual filing due on or before March 31st, 2018 for the following reasons:**

1. **On August 2nd, 2017, the Administration closed a 2017 Series A Bond Issue from which certain funds were transferred to the Administration's trustee (M&T Bank) sufficient to pay-off the Town of Centreville's remaining 2007 Series A loan obligation, the City of Crisfield's remaining 2007 Series A loan obligation, and the City of Laurel's remaining 2007 Series B loan obligation. A Conditional Notice of Redemption was issued on July 3rd, 2017, and a corresponding number of bonds were redeemed on August 3rd, 2017. With these actions, the Administration ceased to be an Obligated Party with respect to the redeemed bonds.**
2. **On July 6th, 2017, the Town of Chesapeake Beach wired funds to M&T Bank sufficient to pay-off its remaining 2007 Series A loan obligation. Upon receipt of the pay-off, a Notice of Redemption was issued on July 6th, 2017, and a corresponding number of bonds were redeemed on August 7th, 2017, and the Administration ceased to be an Obligated Party with respect to the redeemed bonds.**

Description and location: St. Mary's County, Maryland's first County, straddles the mouth of the Potomac and Patuxent Rivers. It consists of 367 square miles with approximately 400 miles of shoreline.

Population: 112,587 (July 2016 estimate)

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergov-ernmental Revenues	Total Service Charges	Total Fines & For-feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2017	$203,537,212	$1,654,929	$10,738,206	$3,895,412	$289,646	$527,714	$0	$220,643,119
2016	$198,590,144	$1,574,154	$10,761,088	$2,701,922	$212,776	$323,230	$0	$217,080,359
2015	$192,939,503	$1,581,154	$11,126,934	$3,168,783	$264,853	$349,465	$1,659,342	$211,090,034
2014	$188,075,156	$1,504,387	$11,140,249	$2,790,407	$208,573	$312,298	$3,684,217	$207,715,287
2013	$185,199,950	$1,497,437	$10,264,578	$3,519,566	$227,571	$273,236	$0	$207,693,741

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2017	$22,324,501	$41,428,865	$9,019,174	$3,848,472	$0	$2,118,755	$10,012,559	$3,153,513	$215,402,090
2016	$21,943,087	$43,357,839	$9,288,129	$3,855,553	$0	$2,121,961	$9,356,779	$9,657,391	$218,305,921
2015	$20,662,550	$38,266,497	$9,076,658	$3,830,521	$0	$1,819,585	$9,787,899	$6,986,896	$204,132,150
2014	$20,288,779	$39,631,748	$10,202,985	$3,651,272	$0	$1,809,661	$9,959,968	$6,816,532	$201,596,913
2013	$19,559,509	$44,072,848	$8,401,057	$3,710,293	$1,100,256	$1,874,795	$10,884,872	$7,372,557	$201,215,846

Assets & Liabilities:

	2017	2016	2015	2014	2013
Cash and Investments	$81,473,968	$64,361,697	$73,225,636	$94,797,633	$94,724,233
Total Assets	$397,674,593	$361,446,223	$358,211,547	$353,296,196	$343,422,925
Total Liabilities & Investment in Fixed Assets	$347,843,387	$319,829,038	$309,578,179	$315,057,769	$292,182,733
Total Fund Balance	$49,831,206	$41,617,185	$48,633,368	$38,235,427	$51,240,192
GF Unreserved/ Unassigned Fund Balances	$30,394,751	$21,526,626	$16,680,164	$22,872,005	$23,487,185

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$11,907,516,250	0.852	$101,487,761	$99,847,984	$1,639,777
2016	$11,647,962,427	0.857	$99,823,038	$96,889,546	$2,933,492
2015	$11,583,094,282	0.857	$99,267,118	$96,889,546	$2,377,572
2014	$11,405,959,743	0.857	$97,749,075	$95,663,568	$2,085,507
2013	$11,165,511,319	0.857	$95,688,432	$92,937,512	$2,750,920

St. Mary's County cont.

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$9,734,466	2.1308	$207,422	$207,422	$0
2016	$7,356,779	2.1425	$157,619	$157,619	$0
2015	$7,073,559	2.1425	$151,551	$151,551	$0
2014	$4,415,333	2.1425	$94,599	$75,196	$19,403
2013	$6,741,377	2.1425	$144,434	$144,434	$0

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$104,244,462	2.1308	$2,221,241	$2,221,241	$0
2016	$107,377,643	2.1425	$2,300,566	$2,300,566	$0
2015	$115,765,351	2.1425	$2,480,273	$2,480,273	$0
2014	$122,631,170	2.1425	$2,627,373	$2,627,373	$0
2013	$108,240,840	2.1425	$2,319,060	$2,319,060	$0

COMMISSIONERS OF
ST. MARY'S COUNTY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017

Murphy & Murphy, CPA, LLC

Commissioners of St. Mary's County

June 30, 2017

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Commissioners of St. Mary's County

June 30, 2017

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Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of St. Mary's County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commissioners of St. Mary's County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commissioners of St. Mary's County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Mary's County Public Schools, which represent 58.13 percent, 62.45 percent and 89.05 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the St. Mary's County Public Schools, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregrate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of St. Mary's County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 - 15 and 105 - 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commissioners of St. Mary's County's basic financial statements. The combining and individual non-major fund financial statements, budget schedules and unexpended appropriations for capital projects are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The detailed budget schedules and unexpended appropriations for capital projects have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of the Commissioners of St. Mary's County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commissioners of St. Mary's County's internal control over financial reporting and compliance.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 10, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Annual Financial Report of St. Mary's County, Maryland presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to use the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $259.6 million (*net position*). Approximately $18.1 million, or 6.9%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling (SW&R), Recreation and Parks recreation activities, and the Wicomico Golf Course. Approximately 6% of the total net position, or $16.3 million (*unrestricted net position*), may be used to meet ongoing obligations to citizens and creditors. Other components of the net position are $19.9 million of restricted net position and approximately $223 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.

- The Government's overall net asset position reflects an increase of $16.8 million over the prior year.

- Governmental activities' total indebtedness increased by $14,052,551 during the fiscal year ended June 30, 2017. There was an increase in general obligation bonds of $25 million, an increase in state loans of $99,285 and payments on the debt totaled $10,986,957. The estimated post-closure costs of the landfill decreased by $191,000 and there was a net increase in the accrual for compensated absences of $131,223.

- As of June 30, 2017, the County's governmental funds reported combined fund balances of $78.9 million, an increase of $20.5 million from the prior year. The general fund reflected an increase of $8,214,021. The capital projects fund reflected an increase of $11.6 million. The fund balance for the non-major funds increased $687,379. The County's governmental fund balances at June 30, 2017 include $27.3 million for capital projects, $49.8 million in general funds, and $1.8 million for the other non-major funds. The general fund balance of $49.8 million includes: $2.2 million that is nonspendable, as well as, $14.9 million which is committed to the following: $13.3 million for the Bond Rating Reserve and $1.625 million for County's Rainy Day Fund. In addition, the general fund reflects assigned designations of approximately $2.0 million which includes encumbrances.

- With the FY2017 budget, the State's allocations/funding to the County continue to be level funded or close to the same as in past years. Cost shifts continue and this budget continues to focus on funding recurring expenses with recurring revenues. The County continues to be cognizant with respect to the federal budget situation, with the possibility that the federal budget balancing efforts may disproportionately affect St. Mary's County, given the federal presence in the County –directly through federal installations such as the Patuxent River Naval Air Station, and also the related impacts on the contractor community which is also a significant employment sector for the County. The County deems it prudent to stay the course with respect to basic government services, while maintaining reserves adequate to cushion against changes over which it has little influence. The County approved the budget without the use of unassigned fund balance. Maintaining a healthy fund balance can help the County to weather negative revenue results and avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address negative trends.

- The non-major funds are special purpose funds that correspond to special assessments, the Emergency Services Support Fund, and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.

- The business-type operating activities reflect a total decrease in net position of $402,604. Fee-based recreation activities posted an increase of $119,113. This fund is an accumulation of a large number of recreation activities, and fees are adjusted so that the fund, over the long term, breaks even, with no significant net position being accumulated. Fee-based solid waste and recycling activities posted a decrease of $465,843; reflects the increase of the Environmental Service fee to $72. The Wicomico Golf Course reflects a decrease of $55,874 in net position, reflects the continuation of reduced expenses compared to past years. The enterprise funds are reviewed for sustainability, as a part of the annual budget process. At the same time, increased costs for personal services, utilities and general operating costs has been realized. During FY2018, consideration will continue to be given to the fee schedules as well as cost control, to restore this activity to a balanced budget.

- At June 30, 2017, the unassigned fund balance for the general fund was $30.4 million, or 14.1% of general fund expenditures. Assigned fund balance of the general fund was $2.0 million, or 4.1% of the general fund total fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health, social services, economic development, agricultural land preservation and recreation and parks, community services, planning and zoning, and permits and inspections. The business-type activities of the County in FY2017 include Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities.

The government-wide financial statements include not only the Commissioners of St. Mary's County itself (known as the *primary government*), but also legally separate component units. The County has the following component units: St. Mary's County Public Schools, St. Mary's County Library, the Metropolitan Commission, and the Building Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 16 to 19 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Commissioners of St. Mary's County maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency support. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and non-major funds (special assessments, fire and rescue revolving, and emergency support funds). The detail for the non-major funds is presented as part of supplementary information following the notes to the financial statements. The basic governmental fund financial statements can be found on pages 20 to 21 of this report.

The Commissioners of St. Mary's County adopts an annual appropriated budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, the County's primary fund. The budget to actual statement can be found on page 105 of this report.

Proprietary funds: Proprietary funds, also known as *Enterprise funds*, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Commissioners of St. Mary's County uses enterprise funds to account for Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Commissioners of St. Mary's County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary Funds are established for retiree benefit trusts, specifically the Sheriff's Office Retirement plan, the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits and the Length of Service Awards for Fire & Rescue. The basic fiduciary fund financial statements can be found on pages 26 to 31 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 32 to 104 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commissioners of St. Mary's County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 105 to 113 of this report. Other supplementary information can be found on pages 114 to 124.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of St. Mary's County, assets exceeded liabilities by $259.6 million at the close of the current fiscal year. The County's net position is divided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. Approximately 86% of the County's net position reflects its net investment in capital assets (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents 7.7% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a balance of $16.4 million (6.3% of total net position) which may be used to meet the government's ongoing obligations to citizens and creditors.

NET POSITION

June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current Assets	$ 128,166,385	$ 111,586,482	$ 1,452,139	$ 1,660,731	$ 129,618,524	$ 113,247,213
Other Non-Current Assets	2,715,801	2,636,521	-	-	2,715,801	2,636,521
Capital Assets, Net of Accumulated Depreciation	291,231,490	272,793,854	17,921,670	18,223,532	309,153,160	291,017,386
DEFERRED OUTFLOW OF RESOURCES						
Pension	13,604,540	16,046,423	-	-	13,604,540	16,046,423
Bond Refunding	1,685,498	2,006,421	-	-	1,685,498	2,006,421
Total Assets & Deferred Outflow of Resources	$ 437,403,714	$ 405,069,701	$ 19,373,809	$ 19,884,263	$ 456,777,523	$ 424,953,964
LIABILITIES						
Current Liabilities	$ 25,247,754	$ 26,884,801	$ 875,578	$ 749,930	$ 26,123,332	$ 27,634,731
Non-Current Liabilities	160,945,635	144,820,291	435,275	668,773	161,380,910	145,489,064
DEFERRED INFLOW OF RESOURCES						
Pension	940,006	445,363	-	-	940,006	445,363
Unavailable Income Tax Distribution	8,768,718	8,643,717	-	-	8,768,718	8,643,717
Total Liabilities & Deferred Inflow of Resources	195,902,113	180,794,172	1,310,853	1,418,703	197,212,966	182,212,875
NET POSITION						
Net Investment in Capital Assets	205,671,921	201,346,613	17,616,804	17,675,590	223,288,725	219,022,203
Restricted	19,949,494	17,364,249	-	-	19,949,494	17,364,249
Unrestricted	15,880,186	5,564,667	446,152	789,970	16,326,338	6,354,637
Total Net Position	241,501,601	224,275,529	18,062,956	18,465,560	259,564,557	242,741,089
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 437,403,714	$ 405,069,701	$ 19,373,809	$ 19,884,263	$ 456,777,523	$ 424,953,964

At June 30, 2017, the Commissioners of St. Mary's County reports positive balances in all three categories of net position as a whole.

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

CHANGES IN NET POSITION

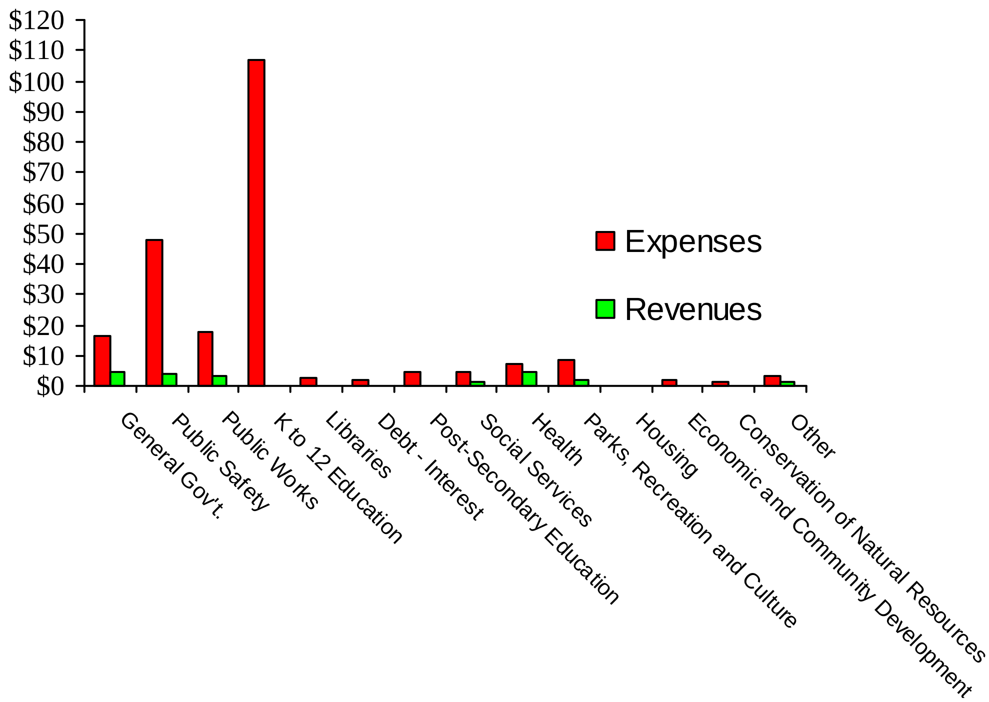
Years ended June 30, 2017 and 2016

	Governmental Activities		Business –Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	$ 7,094,639	$ 5,732,399	$ 4,288,090	$ 4,145,710	$ 11,382,729	$ 9,878,109
Environment/Solid Waste Fees	-	-	3,132,609	2,586,093	3,132,609	2,586,093
Operating Grants and Contributions	11,713,502	11,551,791	41,781	29,781	11,755,283	11,581,572
Capital Grants and Dedicated Fees or Taxes	2,544,576	2,672,055	-	-	2,544,576	2,672,055
General Revenues:						
Property Taxes	107,137,471	105,273,048	-	-	107,137,471	105,273,048
Income Taxes	88,167,869	85,525,116	-	-	88,167,869	85,525,116
Other Taxes	17,509,063	15,772,665	-	-	17,509,063	15,772,665
Investment Earnings	355,911	101,644	7,984	348	363,895	101,992
Subsidies to Enterprise Funds	-	-	-	-	-	-
Roads Constructed by Third Parties	9,595,703	6,481,726	-	-	9,595,703	6,481,726
Capital Transfer	156,275	(971,925)	(156,275)	971,925	-	-
Miscellaneous, principally Capital Projects Funding	1,649,889	8,391,792	-	-	1,649,889	8,391,792
Total Revenues	245,924,899	240,530,311	7,314,189	7,733,857	253,239,088	248,264,168
Program Expenses:						
General Government	24,424,948	21,014,903	-	-	24,424,948	21,014,903
Public Safety	47,849,899	45,640,450	-	-	47,849,899	45,640,450
Public Works	13,376,221	21,758,117	4,036,077	3,882,758	17,412,298	25,640,875
Health	7,048,797	7,383,969	-	-	7,048,797	7,383,969
Social Services	4,377,000	4,459,132	-	-	4,377,000	4,459,132
Primary and Secondary Education	106,864,228	104,971,797	-	-	106,864,228	104,971,797
Post-Secondary Education	4,321,929	4,311,220	-	-	4,321,929	4,311,220
Parks, Recreation, and Culture	4,958,135	7,086,204	3,680,716	3,536,053	8,638,851	10,622,257
Libraries	2,868,840	2,770,245	-	-	2,868,840	2,770,245
Conservation of Natural Resources	997,820	1,712,422	-	-	997,820	1,712,422
Economic Development and Opportunity	2,180,192	1,848,637	-	-	2,180,192	1,848,637
Interest on Debt	2,265,408	1,970,528	-	-	2,265,408	1,970,528
Intergovernmental	4,090,196	42,973	-	-	4,090,196	42,973
Other, principally Retirees' Health	3,075,214	9,103,015	-	-	3,075,214	9,103,015
Total Expenses	228,698,827	234,073,612	7,716,793	7,418,811	236,415,620	241,492,423
Increase/(Decrease) in Net position	17,226,072	6,456,699	(402,604)	315,046	16,823,468	6,771,745
Net Position – Beginning, as Previously Stated	224,275,529	252,849,432	18,465,560	18,150,514	242,741,089	270,999,946
Prior Period Adjustment	-	(35,030,602)	-	-	-	(35,030,602)
Net Position – Beginning, as Restated	224,275,529	217,818,830	18,465,560	18,150,514	242,741,089	235,969,344
Net Position - Ending	$ 241,501,601	$ 224,275,529	$ 18,062,956	$ 18,465,560	$ 259,564,557	$ 242,741,089

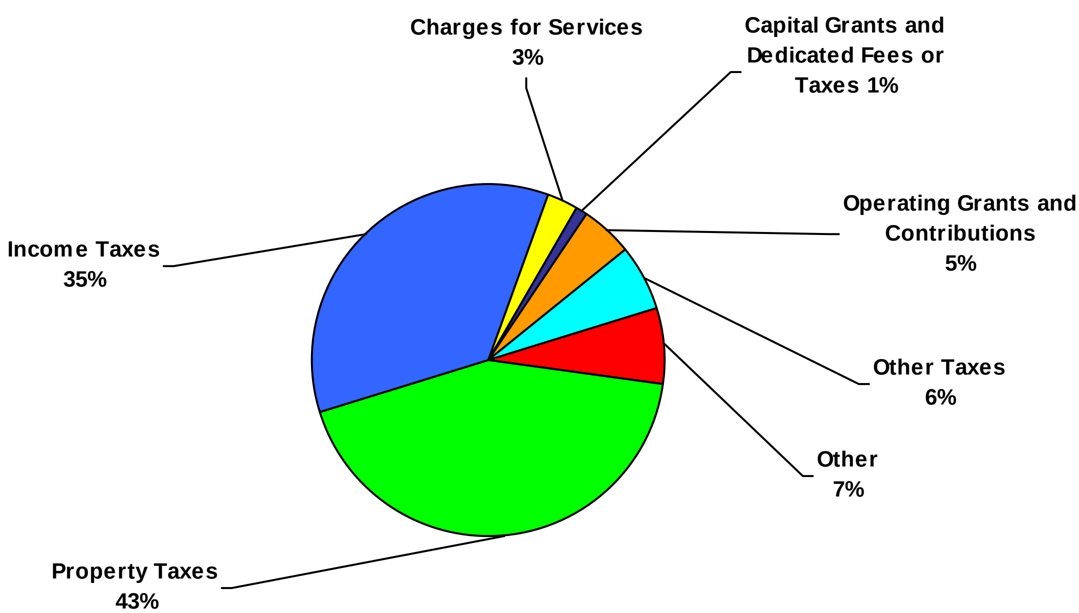
Governmental activities: Governmental activities reflected an increase in net position of $17.2 million.

Business-type activities: Business-type activities reflected a decrease in net position of $402,604.

Expenses and Program Revenues – Governmental Activities
(in millions)



Revenues By Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Commissioners of St. Mary's County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2017, the Commissioners of St. Mary's County governmental funds reported combined ending fund balances of $78.9 million, an increase of $20.5 million compared to the prior year. The Capital Projects fund accounts for $27.3 million. Approximately $30.3 million, or 38% of this total, constitutes *unassigned fund balance*, which is available for spending at the government's discretion in the General Fund. Assigned fund balance represents encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include $27.3 million for capital projects, $13.3 million for the Bond Rating Reserve and $1.625 million for Rainy Day Fund. Non-spendable fund balance includes $1,315,646 committed to liquidate inventories, prepaid expenses of $30,665 and $817,676 in interfund advances. Unassigned fund balance represents almost 14% of general fund expenditures.

The fund balance of the Commissioners of St. Mary's County general fund has increased $8,214,021 in FY2017, when compared to the prior year decrease of $7 million. However, FY2016 had planned use of fund balance for non-recurring expenses and application of capital project pay-go funding. The County prefers to use unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of $27.3 million. This balance reflects the accumulated unspent balance of impact fees, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2017. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 123 and 124.

Proprietary funds: The Commissioners of St. Mary's County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of year, the Wicomico Golf Course Fund reflected unrestricted net position of ($875,958). The Recreation Activities Fund reflected unrestricted net position of $693,650, and the unrestricted net position of the Solid Waste and Recycling Fund amounted to $628,460. On a combined basis, there was a $343,818 decrease in unrestricted net position over the prior year. Factors concerning these funds' finances are addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The "other supplementary information" on pages 116 through 122 reflects the original and revised budgets as well as the actual results in more detail. FY2017 actual results reflect actual revenues that are about $2 million less than the original budget; however, this is largely attributable to the $2.4 million negative variance in grant revenues. Such variances in grants can be the result of not getting grants that were budgeted as well as incurring the grant revenues in a subsequent period, when the corresponding revenues are then reflected. The grants variance has a corresponding level of reduced expenditure activity, which results in no net effect on fund balance. Property Taxes had a positive variance of $326,486 and income taxes had a negative variance of $861,048. The FY2017 budget for income tax revenue is based upon an annual growth rate of 4% applied to tax year 2014 results based on returns filed. This growth percentage is the average from Tax Year 2012 through Tax Year 2014, 3.5%. As the information on pages 113 and 114 shows, there are a variety of smaller offsetting variances; these were considered when developing the revenue budget for FY2018. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. Given the economy, it is likely that the rate of growth in property taxes will be steady at the slower rate of almost 2% annually. As for income taxes, the County will continue to budget based on its specific taxable income statistics, as provided by the State, rather than the State's distributions, which are based on State-wide cash flow.

Expense variances fall into several categories. During the course of FY2017 there were a number of temporary vacancies within the County departments that resulted in turn-over and vacancy savings of almost $1.1 million. The FY2018 budget is based on updated estimates for salaries and benefits. County departments also realized savings in fuel, utilities, non-public student bus contracts, STS transportation system, other contract services, and grants of about $4.2 million, combined. Unspent funds in the Sheriff's operating budget were $1.9 million, of which almost $821,818 is from personal services costs. Debt Service and Bond Rating Reserve included savings of $1 million, due to timing of bond sale and lower revenues. Estimates for subsequent budgets will be reviewed in light of these recurring positive variances.

While the County's financial situation is strong and sustainable, the County continues to take a very conservative approach to revenue estimates, given the continued concern of the federal budget and the general economy – continuing to focus on efficiency measures, both as a part of budget adoption, and also throughout the operational year. The county continues to monitor expenditures and realign savings to reserves to use on non-recurring costs – such as severe weather. Savings are not re-aligned to spend on recurring costs that carry future funding commitments. Instead, the savings are allowed to accrue to fund balance to fund future non-recurring costs, if needed. This reflects the County's disciplined approach to budgeting, including adherence to budgeted activities, judicious review of supplemental budget requests, use of an encumbrance-based approach, continued focus on efficiency and effectiveness, and prudent fiscal management at all levels.

Recurring expenses must be supported by recurring revenues in order to be sustainable. The County builds a budget based on sustainable levels of revenues, and uses any excess generated in one year to fund non-recurring items in subsequent budget years. As indicated previously, the County has retained significant fund balance to position it to be able to address the uncertain future caused by the economy, especially as it relates to State and Federal funding. The federal budget situation can be expected to have an effect on the County's economy directly as well as through the State allocations, though it may be a couple of years until the effect is known with certainty. As a part of each annual budget process, the County Commissioners review the prior year unassigned fund balance and decides if it should be used for non-recurring expenditures or revenue replacement. It also retains a significant reserve balance not identified for such purposes. Higher reserves at this time will enable us to soften the impact of further cuts or cost shifts, allowing some additional time to implement longer term cost reduction measures, as might be appropriate. With the Commissioners Fund Balance policy, it reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves, which includes the 6% Bond Rating Reserve, Rainy Day Fund and Unassigned fund balance, should be at or above 15% of general fund revenue. FY2017 ratio is 20%. With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County also has maintained ample capacity for revenue enhancement should future needs arise, and the circumstances warrant it.

Capital Asset and Debt Administration

- **Capital assets:** The Commissioners of St. Mary's County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to $309.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure and land development rights. The net increase in the County's investment in capital assets for the fiscal year ended June 30, 2017 is $18,135,774. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

CAPITAL ASSETS

(At Cost, Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 38,557,336	$ 36,653,850	$ 1,078,666	$ 1,078,666	$ 39,636,002	$ 37,732,516
Building and Improvements	69,551,804	71,135,256	2,504,099	2,586,210	72,055,903	73,721,466
Facilities Under Construction	16,900,654	9,855,893	-	-	16,900,654	9,855,893
Solid Waste Facilities	-	-	13,220,472	13,220,472	13,220,472	13,220,472
Infrastructure	143,700,305	134,954,321	130,921	147,614	143,831,226	135,101,935
Vehicles	6,068,966	6,173,277	886,136	1,081,459	6,955,102	7,254,736
Equipment	16,452,425	14,021,257	101,376	109,111	16,553,801	14,130,368
	$ 291,231,490	$ 272,793,854	$ 17,921,670	$ 18,223,532	$ 309,153,160	$ 291,017,386

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

- Approximately $12.8 million in road costs were capitalized, including $9.6 million in roads developed /constructed by third parties.
- Parks & recreation facilities increased $2.7 million, principally the acquisition of Snow Hill Park.
- $3.4 million of 911 system & equipment, was capitalized in FY2017.
- Construction in progress totals $16.9 million – Capital Improvements project capitalized in subsequent years.

Additional information on the County's capital assets can be found in Note 3 of this report.

Long-term debt: At June 30, 2017, the Commissioners of St. Mary's County had the following debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the Commissioners of St. Mary's County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the General Obligation Bonds.

GENERAL OBLIGATION DEBT

	June 30, 2017	June 30, 2016	Amounts due within one year
Primary Government			
General Obligation Bonds (GOB) – County	$ 81,158,000	$ 63,633,000	$ 8,516,000
Water Quality Loans	549,872	874,656	328,357
State Loans	1,482,475	1,514,771	131,582
Surplus Property Transfer of Debt	153	300	153
Exempt Financing (Equipment & Vehicles)	2,369,069	5,424,514	881,799
	$ 85,559,569	$ 71,447,241	$ 9,857,891
Business-Type Activities			
Exempt Financing (Equipment)	$ 304,866	$ 547,942	$ 121,654

The Commissioners of St. Mary's County's additions to debt were $25,000,000, reflecting new general obligation bonds issued.

As of June 30, 2017 the County had an AA+ rating from Fitch Ratings, an "AA+" from S & P Global Ratings and an "Aa2" rating from Moody's Investors Service, Inc. which were confirmed with visit to NY in June 2016. In October 2017 the county refunded general obligation funds totaling $15,475,000. At that time Moody's Investors Service, Inc. increased rating to "Aa1". Rating reviews issued by the agencies have typically cited the County's low debt burden with rapid amortization, careful management of the capital program, healthy reserves, budget flexibility, a stable economy, and prudent fiscal policies. The County's debt policy, adopted by the Board, provides that the ratio of debt to assessed value not exceed 2.15%, to include the debt of St. Mary's Metropolitan Commission, and debt service expense as a percent of current general fund revenue not exceed 10%. The County is well within these parameters, and monitors capital budgets and 5-year plans to ensure it remains within the limitations.

Additional information on the Commissioners of St. Mary's County's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

- The total general fund FY2018 expenditure budget is $221.3 million; unassigned fund balance was not used for non-recurring expenditures. The property tax income is based on information provided by the State as to estimated taxable assessed value of $12.4 billion, a small increase over the prior year's estimate of $12.2 billion. The impact of triennial assessments shows that the minimal increase in the full value are somewhat mitigated by the County's cap of 5%. Assessments continue to reflect slow growth, but steady; this resulted in revenue estimate at 1.4% over the prior year. Initial billings for FY2018 are comparable to the estimates. The real property tax rate was reduced to .8478 per $100 of assessed value, which is the constant yield tax rate. The personal property tax rate, which is 2.5 times the real property tax rate, is $2.1195. The income taxes were budgeted at $92.1 million, based on a 4% growth in local tax returns. This represents an increase of 3.5% over the FY2017 budget, and reflects both the estimated County specific tax returns as well as $5.0 million which are estimated to be interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State. As part of the settlement of the Wynne Case, actual refunds to taxpayers are being calculated now and refunds will be reduced from the County's Income Tax revenue starting in FY2019. The County's total share is just over $306,234, 1/20 reduction in FY2019 is estimated to be $15,311 reduction. Preliminary indications, based on the first of the four large distributions paid by the State, indicate the budget may be high, we will continue to monitor and adjust the budget if necessary after the second payment is received in February 2018. Information has recently been received from the State showing TY2016 is 1.8% higher than TY2015, which is above the State average of .9%. This small increase for the State indicates that the State is receiving less tax revenue per unit of economic growth than in the past, compared to last year – the increase over TY2014 was 5.7% for the State. Continual monitoring of the property tax and income tax revenue, which represents 90% of the total revenues, will be a major part of the FY2019 budget development, any indications of reduction will be offset by reduced expenditures.

- Though the County may be impacted by the general and State economic situation, the activities and operations of the Patuxent Naval Air Base thus far have had a stabilizing effect. Operations at the base continue to grow – which is the busiest flight center in the world. The number of jobs and related services, and the number and diversity of technology companies are relatively stable, actual jobs on the base has reached 25,000 as of May 2016. The Comprehensive Economic Development Strategy (CEDS) with University of Maryland and Towson University was completed which focused on the diversification of the County's future economy. The County's airport has been designated as an FAA UAS test site with the University of Maryland, while this designation is not for NAS Patuxent River, the local test site works with the Navy to arrange for testing within restricted air space as well as non-restricted air space greatly enhancing the County's attractiveness to businesses pursuing unmanned and autonomous systems work.

- $2 million in federal funding was secured to construct and initially operate a technology incubator, which includes a 6,000 square foot facility. Ribbon cutting was held in December 2017. This will accommodate eight to twelve start-up and early stage companies and incubator management team.

- The population growth continues and was estimated at 112,587 as of July 1, 2016, and is estimated to grow to 125,150 by 2020.

- The County ranks near the top in the State for growth in the labor force, average weekly wages, and median household income. We consistently post unemployment rates that are well below State averages. These factors indicate a stable economy.

- Tourism and Hospitality Industry continues to be an important component of the local economy. The County's accommodations tax continues to reflect strong growth.

Each budget cycle includes reviews of both the operating and capital spending plans for sustainability and affordability. The County's debt policy is conservative and is a significant consideration in budget deliberations. The County has used its fund balance in the previous years to pay for capital projects, rather than borrow, and also to pay down its unfunded accrued liability for retiree health obligations. The County has funded the full required actuarially determined annual contribution for OPEB annually since FY2008 out of recurring revenues. Additionally, the County has used operating budget savings to make supplemental contributions to the OPEB Trust and to increase its pay-go funding of capital projects, which reduces the debt needed. Each of these actions served to reduce future annual expenditures. In the past three fiscal years, OPEB was budgeted for current retirees only. The County's funded ratio of the OBEB trust is 68.52%, with prepaid OPEB obligation at $18 million.

The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, accompanied by interim reviews of selected revenues and expenditures. The FY2018 Budget included an approved Multi-year Operating Budget to FY2022. It is expected that cost-saving measures will continue, and that savings will be used to reduce future costs. County Departments (which does not include Law Enforcement or Corrections) staffing in the FY2018 budget remains level for over a decade, achieved through use of technology as well as operational stream-lining and privatization. These reviews are not focused simply on the operating budget, but include the review of capital projects that can often have significant operational impacts beyond the debt service needed to repay any related borrowings. Given the Federal budget situation and its potential impact on Patuxent River NAS and the related County economy, the Board recognizes that its plan must be scalable to accommodate the economic conditions of the near term.

With conservative financial practices, continued focus on cost-saving measures during regular financial reviews, and tight expenditure controls, the County retains the flexibility and capacity to manage through these challenging times. Tax rates for FY2018 remain low compared to other Counties, and the County's property tax rate continues to be among the lowest in the State, thus retaining tax flexibility and capacity for the future. However, it is the goal to manage our way through these volatile times through a variety of measures, and includes a balanced approach that considers the needs and priorities of our citizens. The continued focus will be to assure that adequate and sustainable resources are identified to address prioritized needs – both capital and operating – now and for the future.

Requests for Information

This financial report is designed to provide a general overview of St. Mary's County Government's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, Commissioners of St. Mary's County, 41770 Baldridge Street, P.O. Box 653, Leonardtown, Maryland 20650, or via email at Finance@stmarysmd.com.

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COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units			
ASSETS	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
Cash and cash equivalents	$ 81,473,968	$ 10,000	$ 81,483,968	$ 35,294,364	$ 694,858	$ 24,204,367	$ -
Internal balances	(1,299,604)	1,299,604	-	-	-	-	-
Restricted cash and investments	-	-	-	86,285	99,961	-	-
Taxes receivable	2,573,754	-	2,573,754	-	-	-	-
Income tax reserve, funds held by the state	8,768,718	-	8,768,718	-	-	-	-
Due from other governments	-	-	-	5,612,772	77,542	-	190,054
Special assessments receivable	237,800	-	237,800	-	-	-	-
Notes receivable, Fire and Rescue loans	472,594	-	472,594	-	-	-	-
Accounts receivable	16,238,305	97,252	16,335,557	78,857	166,890	30,995,920	-
Inventory	1,315,646	36,719	1,352,365	143,987	-	323,150	-
Prepaid post-retirement benefit (OPEB)	18,010,760	-	18,010,760	-	146,702	300,388	-
Other, principally prepaid expenses	374,444	8,564	383,008	-	-	107,434	-
Unamortized bond discount	-	-	-	-	-	26,720	-
Fire and Rescue loans receivable, net of short-term portion	2,715,801	-	2,715,801	-	-	-	-
Capital assets	477,965,998	23,334,278	501,300,276	419,399,776	5,666,700	221,467,265	-
Accumulated depreciation	(186,734,508)	(5,412,608)	(192,147,116)	(161,107,492)	(4,321,743)	(63,580,629)	-
Capital assets, net of accumulated depreciation	291,231,490	17,921,670	309,153,160	258,292,284	1,344,957	157,886,636	-
DEFERRED OUTFLOW OF RESOURCES							
Pension	13,604,540	-	13,604,540	3,277,231	-	1,167,311	-
Bond refunding	1,685,498	-	1,685,498	-	-	327,867	-
Total Assets and Deferred Outflow of Resources	$ 437,403,714	$ 19,373,809	$ 456,777,523	$ 302,785,780	$ 2,530,910	$ 215,339,793	$ 190,054

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
LIABILITIES							
Current liabilities:							
Accounts payable	$ 6,167,518	$ 259,837	$ 6,427,355	$ 5,674,381	$ 152,265	$ 1,700,946	$ -
Compensation-related liabilities	10,687,392	308,743	10,996,135	16,594,522	45,330	-	-
Unearned revenue	4,017,582	306,998	4,324,580	4,719,241	-	22,213	-
Other liabilities	4,185,208	-	4,185,208	-	-	1,980,370	-
Due to other governments	190,054	-	190,054	15,498	59,865	-	-
Non-current liabilities:							
Due within one year	9,875,485	121,654	9,997,139	646,220	-	5,998,332	-
Due in more than one year	84,978,538	313,621	85,292,159	71,808,397	103,017	88,703,069	-
Net pension liability	66,091,612	-	66,091,612	13,229,614	-	5,077,596	-
DEFERRED INFLOW OF RESOURCES							
Pension	940,006	-	940,006	348,613	-	134,418	-
Unavailable income tax distribution	8,768,718	-	8,768,718	-	-	-	-
Total Liabilities and Deferred Inflow of Resources	195,902,113	1,310,853	197,212,966	113,036,486	360,477	103,616,944	-
NET POSITION							
Net investment in capital assets	205,671,921	17,616,804	223,288,725	257,985,598	1,344,957	91,131,949	-
Restricted for:							
Capital assets purchases	-	-	-	-	-	-	-
Capital projects	19,657,111	-	19,657,111	105,845	-	-	-
Other purposes	292,383	-	292,383	-	181,283	11,922,819	-
Unrestricted	15,880,186	446,152	16,326,338	(68,342,149)	644,193	8,668,081	190,054
Total Net Position	241,501,601	18,062,956	259,564,557	189,749,294	2,170,433	111,722,849	190,054
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 437,403,714	$ 19,373,809	$ 456,777,523	$ 302,785,780	$ 2,530,910	$ 215,339,793	$ 190,054

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Dedicated Fees or Taxes	Total Revenues
General government	$ 24,424,948	$ 3,397,372	$ 1,013,662	$ 494,518	$ 4,905,553
Public safety	47,849,899	1,531,803	2,165,282	-	3,697,085
Public works	13,376,221	910,346	2,212,112	-	3,122,458
Health	7,048,797	-	4,770,624	-	4,770,624
Social services	4,377,000	1,092	1,185,240	-	1,186,332
Primary and secondary education	106,864,228	-	-	-	-
Post-secondary education	4,321,929	-	-	-	-
Parks, recreation, and culture	4,958,135	167,650	78,884	1,907,780	2,154,314
Libraries	2,868,840	-	-	-	-
Conservation of natural resources	997,820	-	-	(34,668)	(34,668)
Economic development and opportunity	2,180,192	26,259	287,698	-	313,957
Debt interest	2,265,408	-	-	-	-
Intergovernmental	4,090,196	-	-	-	-
Other, including OPEB	3,075,214	1,060,117	-	176,946	1,237,063
TOTAL GOVERNMENTAL ACTIVITIES	228,698,827	7,094,639	11,713,502	2,544,576	21,352,718
Business-type activities:					
Recreation activity	2,410,851	2,500,183	29,781	-	2,529,964
Wicomico	1,269,865	1,213,648	-	-	1,213,648
Solid waste/recycling	4,036,077	574,259	12,000	-	586,259
TOTAL BUSINESS-TYPE ACTIVITIES	7,716,793	4,288,090	41,781	-	4,329,871
TOTAL PRIMARY GOVERNMENT	236,415,620	11,382,729	11,755,283	2,544,576	25,682,589
COMPONENT UNITS:					
Public schools	267,183,241	2,685,743	43,809,983	5,377,149	51,872,875
Library	5,034,250	137,856	1,195,923	-	1,333,779
MetCom	21,723,061	23,665,330	-	-	23,665,330
Building authority	1,600	-	-	-	-
	$ 293,942,152	$ 26,488,929	$ 45,005,906	$ 5,377,149	$ 76,871,984

General revenues:
Property taxes
Income taxes
Other - including energy, recordation and transfer taxes
Investment earnings
Grants and contributions not restricted to specific purposes
Subsidies to enterprise funds
Environmental/solid waste fees
Roads constructed by third parties
Capital transfer
Miscellaneous, principally capital projects funding
Total general revenues

Increase/(decrease) in net position

Net position - beginning
Net position - ending

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority
$ (19,519,395)	$ -	$ (19,519,395)	$ -	$ -	$ -	$ -
(44,152,814)	-	(44,152,814)	-	-	-	-
(10,253,763)	-	(10,253,763)	-	-	-	-
(2,278,173)	-	(2,278,173)	-	-	-	-
(3,190,668)	-	(3,190,668)	-	-	-	-
(106,864,228)	-	(106,864,228)	-	-	-	-
(4,321,929)	-	(4,321,929)	-	-	-	-
(2,803,821)	-	(2,803,821)	-	-	-	-
(2,868,840)	-	(2,868,840)	-	-	-	-
(1,032,488)	-	(1,032,488)	-	-	-	-
(1,866,235)	-	(1,866,235)	-	-	-	-
(2,265,408)	-	(2,265,408)	-	-	-	-
(4,090,196)	-	(4,090,196)	-	-	-	-
(1,838,151)	-	(1,838,151)	-	-	-	-
(207,346,109)	-	(207,346,109)	-	-	-	-
-	119,113	119,113	-	-	-	-
-	(56,217)	(56,217)	-	-	-	-
-	(3,449,818)	(3,449,818)	-	-	-	-
-	(3,386,922)	(3,386,922)	-	-	-	-
(207,346,109)	(3,386,922)	(210,733,031)	-	-	-	-
-	-	-	(215,310,366)	-	-	-
-	-	-	-	(3,700,471)	-	-
-	-	-	-	-	1,942,269	-
-	-	-	-	-	-	(1,600)
-	-	-	(215,310,366)	(3,700,471)	1,942,269	(1,600)
107,137,471	-	107,137,471	-	-	-	-
88,167,869	-	88,167,869	-	-	-	-
17,509,063	-	17,509,063	-	-	-	-
355,911	7,984	363,895	128,094	6,090	115,716	-
-	-	-	193,414,356	3,531,845	-	-
-	-	-	-	-	-	-
-	3,132,609	3,132,609	-	-	-	-
9,595,703	-	9,595,703	-	-	-	-
156,275	(156,275)	-	-	-	-	-
1,649,889	-	1,649,889	875,395	27,163	1,612,186	-
224,572,181	2,984,318	227,556,499	194,417,845	3,565,098	1,727,902	-
17,226,072	(402,604)	16,823,468	(20,892,521)	(135,373)	3,670,171	(1,600)
224,275,529	18,465,560	242,741,089	210,641,815	2,305,806	108,052,678	191,654
$ 241,501,601	$ 18,062,956	$ 259,564,557	$ 189,749,294	$ 2,170,433	$ 111,722,849	$ 190,054

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

COMMISSIONERS OF ST. MARY'S COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects	Non-Major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 81,473,968	$ -	$ -	$ 81,473,968
Due from other funds	-	27,000,485	1,711,963	28,712,448
Restricted cash and investments	-	-	-	-
Taxes receivable	2,507,828	-	65,926	2,573,754
Income tax reserve, funds held by the state	8,768,718	-	-	8,768,718
Special tax assessments receivable	-	-	544	544
Notes receivable, Fire and Rescue loans	-	-	472,594	472,594
Accounts receivable	12,002,499	4,235,806	-	16,238,305
Inventory	1,315,646	-	-	1,315,646
Other	374,444	-	-	374,444
Fire and Rescue loans receivable, net of short-term portion	-	-	2,715,801	2,715,801
Special tax assessments receivable, net of short-term portion	-	-	237,256	237,256
Total Assets	$ 106,443,103	$ 31,236,291	$ 5,204,084	$ 142,883,478
LIABILITIES				
Accounts payable	$ 2,225,115	$ 3,940,752	$ 1,651	$ 6,167,518
Compensation-related liabilities	10,677,098	-	10,294	10,687,392
Unearned revenue	553,652	36,743	3,427,187	4,017,582
Other liabilities	4,185,208	-	-	4,185,208
Due to other funds	30,012,052	-	-	30,012,052
Due to other governments	190,054	-	-	190,054
DEFERRED INFLOW OF RESOURCES				
Unavailable income tax distribution	8,768,718	-	-	8,768,718
Total Liabilities and Deferred Inflow of Resources	56,611,897	3,977,495	3,439,132	64,028,524
FUND BALANCES				
Nonspendable	2,163,987	-	-	2,163,987
Restricted	292,383	23,150,808	-	23,443,191
Committed	14,955,021	4,107,988	1,764,952	20,827,961
Assigned	2,025,064	-	-	2,025,064
Unassigned	30,394,751	-	-	30,394,751
Total Fund Balances	49,831,206	27,258,796	1,764,952	78,854,954
Total Liabilities, Deferred Inflow and Resources and Fund Balances	$ 106,443,103	$ 31,236,291	$ 5,204,084	$ 142,883,478

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects	Non-Major	Total
REVENUES				
Property taxes	$ 107,137,471	$ -	$ -	$ 107,137,471
Income taxes	88,167,869	-	-	88,167,869
Energy taxes	973,359	-	-	973,359
Recordation taxes	5,656,026	-	-	5,656,026
Transfer taxes	-	5,954,273	-	5,954,273
Agricultural/development taxes	-	578,195	-	578,195
Impact fees	-	1,959,657	-	1,959,657
Other local taxes	1,602,487	-	-	1,602,487
Highway user revenues	900,948	-	-	900,948
Licenses and permits	1,654,929	-	-	1,654,929
Intergovernmental	9,837,258	2,872,542	-	12,709,800
Charges for services	3,895,412	-	-	3,895,412
Fines and forfeitures	289,646	-	-	289,646
Special assessments	-	-	176,946	176,946
Other revenues	527,714	-	3,287,250	3,814,964
Sub-total	220,643,119	11,364,667	3,464,196	235,471,982
Pass-throughs	-	-	-	-
TOTAL REVENUES	220,643,119	11,364,667	3,464,196	235,471,982
EXPENDITURES				
General government	22,324,501	3,663,811	-	25,988,312
Public safety	41,428,865	3,542,613	2,932,365	47,903,843
Public works	9,019,174	9,428,109	-	18,447,283
Health	7,048,799	-	-	7,048,799
Social services	4,213,410	-	-	4,213,410
Primary and secondary education	104,704,831	2,159,397	-	106,864,228
Post-secondary education	4,267,365	-	-	4,267,365
Parks, recreation and culture	3,848,472	4,387,217	-	8,235,689
Libraries	2,684,574	-	-	2,684,574
Conservation of natural resources	533,329	436,521	-	969,850
Economic development and opportunity	2,118,755	-	-	2,118,755
Debt service - principal and interest	10,012,559	174,040	42,369	10,228,968
Other	3,197,456	-	-	3,197,456
Sub-total	215,402,090	23,791,708	2,974,734	242,168,532
Pass-throughs	-	-	-	-
TOTAL EXPENDITURES	215,402,090	23,791,708	2,974,734	242,168,532
Excess of Revenues Over (Under) Expenditures	5,241,029	(12,427,041)	489,462	(6,696,550)
OTHER FINANCING SOURCES AND USES				
Bond issuance	-	25,000,000	-	25,000,000
Bond premium	-	2,254,855	-	2,254,855
Fire & rescue loan repayments	-	-	487,917	487,917
Loans to fire and rescue	-	-	(590,000)	(590,000)
Fire & rescue revolving loan fund - capital projects fund transfer	-	(300,000)	300,000	-
Capital projects - general fund pay-go	2,972,992	(2,972,992)	-	-
Total other financing sources / uses	2,972,992	23,981,863	197,917	27,152,772
Net Increase/(Decrease) in Fund Balances	8,214,021	11,554,822	687,379	20,456,222
FUND BALANCE				
Beginning of the year	41,617,185	15,703,974	1,077,573	58,398,732
End of year	$ 49,831,206	$ 27,258,796	$ 1,764,952	$ 78,854,954

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

Commissioners of St. Mary's County
Reconciliations of the Governmental Funds to the Governmental Activities
For the Year Ended June 30, 2017

Balances reflected as Fund Balance for Governmental Funds are different from Net Position for Governmental Activities because:	
Fund Balance - Governmental Funds	$ 78,854,954
Capital assets, net of accumulated depreciation, are not reported in the balance sheet for governmental funds	291,231,490
Prepaid OPEB is not reported in the balance sheet for governmental funds	18,010,760
Debt, including bonds, loans, capital leases and the long-term portion of compensated absences, is not reported in the balance sheet for governmental funds. The amount reflected here does include debt applicable to assets reported in the component unit for the Board of Education	(94,854,023)
Net pension liability	(66,091,612)
Deferred inflow of resources - pension obilgation	(940,006)
Deferred outlfow of resources - general obligation bond refunding	1,685,498
Deferred outlfow of resources - pension obligation	13,604,540
Net position - governmental activities	$ 241,501,601
Amounts reported for change in fund balances - governmental funds are different from change in net position of governmental activities because:	
Net increase (decrease) in fund balances - total governmental funds	$ 20,456,222
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. Capital outlays:	30,465,356
Depreciation expense:	(11,950,129)
Cost of capital assets disposed less accumulated depreciation which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(77,591)
Repayment of debt	11,177,957
Issuance of long-term debt	(25,230,508)
Effect of refunding	(320,923)
Recognized pension costs less than the pension amount contributed	(5,009,319)
Decrease in prepaid OPEB not reported on balance sheet for governmental funds	(2,284,993)
Increase (decrease) in net position of governmental activities	$ 17,226,072

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ 10,000	$ -	$ 10,000
Due from other funds	1,048,782	175,764	892,734	2,117,280
Accounts receivable	11,863	-	85,389	97,252
Inventory	-	36,719	-	36,719
Other, prepaids	-	8,564	-	8,564
Total Current Assets	1,060,645	231,047	978,123	2,269,815
Non-current assets:				
Capital assets	313,302	6,467,833	16,553,143	23,334,278
Accumulated depreciation	(186,885)	(2,805,493)	(2,420,230)	(5,412,608)
Capital assets, net of accumulated depreciation	126,417	3,662,340	14,132,913	17,921,670
Total Assets	$ 1,187,062	$ 3,893,387	$ 15,111,036	$ 20,191,485
LIABILITIES				
Current liabilities:				
Accounts payable	$ 59,136	$ 61,169	$ 139,532	$ 259,837
Compensation-related liabilities	88,615	76,675	143,453	308,743
Unearned revenue	219,244	87,754	-	306,998
Noncurrent Liabilities:				
Due within one year:				
Financing agreements	-	-	121,654	121,654
Advance from general fund	-	72,274	-	72,274
Due in more than one year:				
Financing agreements	-	-	183,212	183,212
Advance from general fund	-	745,402	-	745,402
Compensated absences	-	63,731	66,678	130,409
Total Liabilities	366,995	1,107,005	654,529	2,128,529
NET POSITION				
Net investment in capital assets	126,417	3,662,340	13,828,047	17,616,804
Unrestricted	693,650	(875,958)	628,460	446,152
Total Net Position	820,067	2,786,382	14,456,507	18,062,956
Total Liabilities and Net Position	$ 1,187,062	$ 3,893,387	$ 15,111,036	$ 20,191,485

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
OPERATING REVENUES				
Charges for services	$ 2,500,183	$ 1,213,648	$ 574,259	$ 4,288,090
Environmental/solid waste fees	-	-	3,132,609	3,132,609
	2,500,183	1,213,648	3,706,868	7,420,699
OPERATING EXPENSES				
Personal services	1,432,153	659,651	1,030,257	3,122,061
Operating supplies	233,572	236,717	32,390	502,679
Professional services	267,195	73,786	1,384,792	1,725,773
Communications	9,812	3,360	5,949	19,121
Transportation	48,367	24,379	58,365	131,111
Rentals	149,982	40,868	57,650	248,500
Public utilities	195,208	62,021	31,488	288,717
Other operating costs	7,697	13,201	-	20,898
Tipping fees	-	-	1,208,341	1,208,341
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Interest expense	-	182	7,109	7,291
Equipment	48,257	12,705	12,564	73,526
Depreciation	18,608	106,995	184,172	309,775
Total operating expenses	2,410,851	1,269,865	4,036,077	7,716,793
Operating Income (Loss)	89,332	(56,217)	(329,209)	(296,094)
Non-operating revenue:				
Other	-	343	7,641	7,984
Use of exempt financing	-	-	(156,275)	(156,275)
Grants revenue	29,781	-	12,000	41,781
Increase/(Decrease) in net position	119,113	(55,874)	(465,843)	(402,604)
NET POSITION				
Beginning of the year	700,954	2,842,256	14,922,350	18,465,560
End of year	$ 820,067	$ 2,786,382	$ 14,456,507	$ 18,062,956

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Charges for services	$ 2,635,043	$ 1,200,332	$ 3,681,125	$ 7,516,500
Personal services	(1,448,189)	(656,367)	(1,018,936)	(3,123,492)
Other expenses	(932,653)	(492,143)	(2,793,011)	(4,217,807)
Net cash provided (used) by operating activities	254,201	51,822	(130,822)	175,201
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net change in interfund loans	(276,069)	(147,663)	345,200	(78,532)
Grant revenue	29,781	-	12,000	41,781
Other revenue	-	-	7,641	7,641
Net cash provided (used) by non-capital and related financing activities	(246,288)	(147,663)	364,841	(29,110)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Construction / purchase of capital assets	(7,913)	-	(156,275)	(164,188)
Principal payments on long-term debt	-	(9,059)	(234,017)	(243,076)
Other reductions in long-term debt	-	(70,365)	-	(70,365)
Net cash used by capital and related financing activities	(7,913)	(79,424)	(390,292)	(477,629)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	-	343	-	343
Net increase (decrease) in cash	-	(174,922)	(156,273)	(331,195)
CASH				
Beginning of year	-	184,922	156,273	341,195
End of year	$ -	$ 10,000	$ -	$ 10,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 89,332	$ (56,217)	$ (329,209)	$ (296,094)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Depreciation	18,608	106,995	184,172	309,775
(Increase) decrease in accounts receivable	56,474	461	(25,743)	31,192
(Increase) decrease in inventory	-	(4,898)	-	(4,898)
Increase (decrease) in accounts payable	27,437	15,974	28,637	72,048
Increase (decrease) in compensation-related liabilities	(16,036)	3,284	11,321	(1,431)
Increase (decrease) in unearned revenue	78,386	(13,777)	-	64,609
Net cash provided (used) by operating activities	$ 254,201	$ 51,822	$ (130,822)	$ 175,201
SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:				
Total capital asset additions	$ 7,913	$ -	$ -	$ 7,913
Less amount financed	-	-	156,275	156,275
Net cash used for purchase of capital assets	$ 7,913	$ -	$ 156,275	$ 164,188

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF FIDUCIARY NET POSITION - SHERIFF'S OFFICE RETIREMENT PLAN

JUNE 30, 2017

	Sheriff's Office Retirement Plan
ASSETS	
Cash and cash equivalents	$ 4,820,149
Restricted cash and investments	73,447,069
Total assets	$ 78,267,218
NET POSITION	
Net position held in trust for pension benefits	$ 78,267,218
Total net position	$ 78,267,218

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SHERIFF'S OFFICE RETIREMENT PLAN

FOR THE YEAR ENDED JUNE 30, 2017

	Sheriff's Office Retirement Plan
ADDITIONS	
Contributions - employer	$ 5,149,772
Contributions - employee	1,083,736
	6,233,508
Interest and dividends	1,402,242
Realized gain	1,161,936
Net unrealized loss on investments	5,495,177
	8,059,355
Total additions	14,292,863
DEDUCTIONS	
Benefits	(3,672,386)
Administrative costs	(428,762)
Total deductions	(4,101,148)
Change in net position	10,191,715
NET POSITION	
Beginning of year	68,075,503
End of year	$ 78,267,218

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
JUNE 30, 2017

	Retiree Benefit Trust of St. Mary's County, Maryland
ASSETS	
Restricted cash and investments	$ 71,754,847
Total assets	$ 71,754,847
NET POSITION	
Net position restricted for other post-employment benefits	$ 71,754,847
Total liabilities and net position	$ 71,754,847

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
YEAR ENDED JUNE 30, 2017

	Retiree Benefit Trust of St. Mary's County, Maryland
ADDITIONS	
Contributions to the trust - employer	$ -
Payments to retirees - employer	3,009,007
	3,009,007
Interest and dividends	1,807,899
Realized gain	6,293,817
Net unrealized gain/(loss) on investments	457,307
	8,559,023
Total additions	11,568,030
DEDUCTIONS	
Benefits paid directly to retirees	(3,009,007)
Administrative costs	(406,658)
Total deductions	(3,415,665)
Change in net position	8,152,365
NET POSITION	
Beginning of year	63,602,482
End of year	$ 71,754,847

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF FIDUCIARY NET POSITION - LENGTH OF SERVICE AWARDS

PROGRAM (LOSAP) OF ST. MARY'S COUNTY, MARYLAND

JUNE 30, 2017

	LOSAP of St. Mary's County, Maryland
ASSETS	
Restricted cash and investments	$ 1,602,992
Total assets	$ 1,602,992
NET POSITION	
Net position restricted for benefits	$ 1,602,992
Total liabilities and net position	$ 1,602,992

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - LENGTH OF SERVICE AWARDS
PROGRAM (LOSAP) OF ST. MARY'S COUNTY, MARYLAND
YEAR ENDED JUNE 30, 2017

	LOSAP of St. Mary's County, Maryland
ADDITIONS	
Contributions to the trust - employer	$ 1,460,347
Interest and dividends	7,812
Total additions	1,468,159
DEDUCTIONS	
Benefits paid directly to retirees	(860,347)
Administrative costs	-
Total deductions	(860,347)
Change in net position	607,812
NET POSITION	
Beginning of year	995,180
End of year	$ 1,602,992

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

Commissioners of St. Mary's County

Index - Notes to Financial Statements

June 30, 2017

1. Reporting entity and summary of significant accounting policies

Financial reporting entity

St. Mary's County (the County), the first Maryland County, was established in 1637. The Board of County Commissioners is composed of five Commissioners elected for four-year terms. Four Commissioners represent specific election districts while the President of the Commissioners runs at large. All Commissioners are elected by the voters of the entire County. The County operates under a line-organizational method, with a County Administrator being responsible for the general administration of the County government. The Chief Financial Officer is responsible for financial reporting, debt management, investment management, procurement, and budgeting functions. The Treasurer is responsible for the collection of real and personal property taxes. The County provides the following services: public safety, highway and streets, health and social services, recreation, education, public improvements, planning and zoning, sewage and water treatment and general administrative services. Component units are also included as part of the Financial reporting entity.

The financial statements of the reporting entity include those of the Commissioners of St. Mary's County (the primary government) and its component units. As defined by GASB Statement Numbers 14, 39 and 61, component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the four organizations identified below are considered component units of the County. Their financial data is discretely presented in separate columns in the government-wide financial statements. All discretely presented component units have a June 30 year-end.

Except for the Board of Education of St. Mary's County, the governing bodies of all these component units are appointed by Commissioners of St. Mary's County.

St. Mary's County Public Schools – In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of St. Mary's County is to operate the local public school system in accordance with State and community standards. The school system does not have the authority to levy any taxes or incur debt. Schools are funded with local, State and Federal monies. St. Mary's County has oversight responsibility for approval and partial funding of the school system's operating budget.

1. Reporting entity and summary of significant accounting policies (continued)

Financial reporting entity (continued)

St. Mary's County Metropolitan Commission (MetCom) is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland.

St. Mary's County Building Authority Commission was created by the Maryland General Assembly as an instrumentality of the County to acquire title to property within St. Mary's County for construction, renovation, or rehabilitation. The Building Authority Commission currently does not own or lease any property. Until June 2010, they owned and leased property to the St. Mary's Nursing Center, Inc. Until June 2013, they also owned and leased property to the State of Maryland; the Carter State Office Building was transferred to the State of Maryland in FY2013.

St. Mary's County Library operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall.

Financial statements of the individual component units can be obtained from their respective administrative offices.

St. Mary's County Public Schools
23160 Moakley Street
Leonardtown, Maryland 20650

St. Mary's County Metropolitan Commission
23121 Camden Way
California, Maryland 20619

St. Mary's County Building Authority Commission
41770 Baldridge Street
P.O. Box 653, Chesapeake Building
Leonardtown, Maryland 20650

St. Mary's County Library
23250 Hollywood Road
Leonardtown, Maryland 20650

1. Reporting entity and summary of significant accounting policies (continued)

Financial statements

The financial statements of the Commissioners of St. Mary's County, (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include various agencies, department organizations and offices which are legally part of St. Mary's County (the Primary Government) and the County's Component Units.

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting the County's most significant funds), and fiduciary financial statements (reporting on the County's trust funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's Recreation and Park programs, the Wicomico Golf Course and Solid Waste and Recycling are classified as business-type activities.

Government-wide 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. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue funds and the restrictions on their net position use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are properly not included among program revenues. The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

1. Reporting entity and summary of significant accounting policies (continued)

Fund financial statements

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, deferred outflow of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non major funds by category are summarized into a single column.

Governmental funds

The measurement focus of the governmental fund financial statements is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County.

1. General Fund is the general 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 General Fund is considered a major fund.

2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Funds of the County are non-major funds.

3. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.

4. Debt Service Fund is a non-major fund used to account for servicing of long-term debt.

Proprietary funds

The focus of proprietary fund measurement is based upon determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary (Enterprise) Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity, (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs.

1. Reporting entity and summary of significant accounting policies (continued)

Fiduciary funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. When these assets are held under the terms of a formal trust agreement either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

The County operates three pension trust funds. The plans account for the retirement benefits for the St. Mary's County Maryland Sheriff's Office Retirement Plan, and the Volunteer Fire Department and Rescue Squad , and the Retiree Health Benefit Plan. Since, by definition these assets are held for the benefit of a third party (pension participants and eligible retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. All three are presented in the fiduciary fund financial statements.

Basis of accounting and measurement focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Basis of accounting

a. Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

b. Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

c. Budget Basis of Accounting - Actual results of operations are presented in the Statement of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses - Budget (Non-GAAP Basis) and Actual - General Fund, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance as on a GAAP basis.

1. Reporting entity and summary of significant accounting policies (continued)

Measurement focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b.) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. The fund financial statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary and fiduciary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Accounting policies

The more significant accounting policies established in the GAAP and used by the County are discussed below.

Budget and budgetary accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted (GAAP) in the United States of America. All annual operating appropriations lapse at fiscal year end. Project-length financial plans are adopted for the capital projects fund. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

a. Prior to April 1 of each year, the Commissioners of St. Mary's County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. The budget is legally enacted through passage of an ordinance by June 1.

d. All revisions that alter the expenditures of each fund must be approved by the Commissioners of St. Mary's County or the Chief Financial Officer.

e. Formal budgetary integration is employed as a management control device during the year for the general fund, special assessment fund and enterprise funds.

1. Reporting entity and summary of significant accounting policies (continued)

Budget and budgetary accounting (continued)

f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that appropriations of fund balance are treated as other financing sources. Budget comparisons presented for the general fund in this report are on a non-GAAP basis. The capital projects funds' budgets are prepared on a project-length basis, and accordingly, annual budgetary comparisons are not presented in the financial statements. The enterprise funds' budgets are flexible annual operating budgets. Budgetary comparisons are not presented in the financial statements for the enterprise funds.

g. The budgeted amounts are as adopted, including amendments, by the Commissioners of St. Mary's County.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

Cash, cash equivalents and investments

Cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. State statutes authorize investments in obligations of the United States government, federal government agency obligations and repurchase agreements. Investments are stated at cost.

The operating cash balances for all funds are commingled and shown in the governmental activities on the statement of net position and in the general fund on the governmental fund balance sheet.

Investments in the Pension Trust Fund of the Sheriff's Department Retirement Plan, the Length of Service Award Program and the Retiree Health Benefit Plan are carried at fair value as determined on June 30 of each year, based on appraisals or quotations by an independent investment counselor. These investments are offset by a restriction, which indicates that they do not constitute available spendable resources even though they are a component of net position. The trusts are governed by separate investment policies and allow investments in common stocks, equity funds, fixed income and alternative investments.

Long-term receivables

Noncurrent portions of long-term receivables are reported on the balance sheet in spite of their spending measurement focus. The long-term portion of receivables is offset by a nonspendable fund balance in the general fund, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Annual, personal and sick leave benefits

Full-time employees can earn annual leave at a rate of from 80 hours per year (one through five years of service) up to a maximum of 200 hours per year (if over twenty years of service). Leave for permanent part-time employees is prorated according to the number of hours worked.

1. Reporting entity and summary of significant accounting policies (continued)

Annual, personal and sick leave benefits (continued)

There are no requirements that annual leave be taken; however, the maximum permissible accumulation to be carried into the new calendar year is 360 hours for full-time employees and 180 hours for permanent part-time employees. At calendar year end, any hours in excess of 360 hours for full-time employees and 180 hours for permanent part-time employees are deducted from the employees' annual leave balance and credited to their sick leave balance. At termination, employees are paid for any accumulated annual leave.

Full-time and permanent part-time employees earn sick leave based upon the number of hours worked, with a maximum of 120 hours earned per year. There is no limit to the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave, nor is credit provided for employees that retire on early retirements. However, at regular retirement, employees who have been employed by the County for five years are eligible to receive service credit at a rate of one month for every 160 hours of unused sick leave. Persons that are reinstated in the County service within one year from the time of their separation shall receive full credit for all sick leave accumulated at time of separation.

Full-time employees are entitled to compensatory time off for work performed in excess of the normal work period. The maximum permissible accumulation to be carried into the new calendar year is 240 hours for non-law enforcement employees and 480 hours for law enforcement employees and correctional officers. An employee leaving County service shall receive a lump sum payment at their current rate of pay for any unused accumulated annual leave.

Use of 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement No. 34, the County has recorded its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.

The purpose of depreciation is to spread the cost of capital assets equitably among all uses over the lives of these assets. The amount charged to depreciation expense each year represents that year's prorata share of capital assets.

The method of depreciation being used for all governmental-type assets placed in service as a result of GASB Statement No. 34 is the straight-line half-year convention. Only assets greater than or equal to $5,000 will be depreciated.

1. Reporting entity and summary of significant accounting policies (continued)

Capital assets (continued)

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method (half-year convention) over the following estimated useful lives:

Primary government	
Buildings and improvements	50 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles licensed	5-8 years
Off-road vehicles	5-10 years
Miscellaneous equipment	5-10 years
Infrastructure	10-50 years
Component units	
St. Mary's County Public Schools	
Buildings and improvements	20-50 years
Furniture and equipment	5-15 years
St. Mary's County Library	
Leasehold improvements	50 years
Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years
St. Mary's County Metropolitan Commission	
Utility plants	18-50 years
Water plant systems	18-50 years
Equipment	3-10 years
Capitalized interest	50 years
Buildings	20-30 years
St. Mary's County Building Authority Commission	
Buildings	40 years
Furniture and equipment	10 years

1. Reporting entity and summary of significant accounting policies (continued)

Inventory and prepaid expenditures

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory in the general fund, special revenue funds and enterprise funds consists of expendable supplies held for consumption. Reported inventories and prepaid expenditures in the general fund are offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

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 and business-type activities statement of net position, or proprietary fund type balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bond.

Pension accounting

Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income. Any net pension liability or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. Expenditures are recognized when paid or are expected to be paid with current available resources. The net pension liability (asset) is reported in the government-wide financial statements.

2. Cash, cash equivalents and investments

PRIMARY GOVERNMENT

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments held by the County, including the pension and retiree health benefit funds, are stated at fair value. Fair value is based on quoted market prices at year end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County is charged with the responsibility for selecting depositories and investing the idle funds as directed by the State and County Codes. The County is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Cash deposits

At year end, the carrying amount of the County's deposits was $70,554,936 (in addition, petty cash totaling $12,600 at various County Departments) and the collected bank balance was $72,635,856. Of the collected bank balance, $700,258 was covered by Federal Deposit Insurance Corporation (FDIC), and $71,935,598 was covered by collateral held either in the pledging bank's trust department or by the pledging bank's agent.

Investments

Statutes authorize the County to invest in short-term United States government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the County to invest in the Local Government Investment Pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used. The fiduciary funds have separate formal investment policies which allow alternative investments at the discretion of the Trustees.

Money market account is not evidenced by securities.

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. As permited by GASB 79, the MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated "AAAM" by Standards and Poor's. The County is not subject to any limitations or restrictions on withdrawals of its investments in the MLGIP.

None of the County's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Investments (continued)

The summary below identifies the fair market value levels of the investments of the primary government and fiduciary funds as of June 30, 2017.

	Level 1	Level 2	Level 3	Balance
Investments at fair value level				
Retiree Benefit Trust (OPEB):				
Cash and equivalents	$ 161,127	$ -	$ -	$ 161,127
Common stock/equity funds	-	43,738,093	-	43,738,093
Bond funds	-	13,238,357	-	13,238,357
Venture/ltd. partnership/closely held	-	-	14,617,270	14,617,270
Pension Fund: Sheriff's Office Retirement Plan:				
Cash and equivalents	4,820,149	-	-	4,820,149
Bond funds	-	16,203,366	-	16,203,366
Common stock	-	15,348,182	-	15,348,182
Venture/ltd. partnership/closely held	-	-	6,479,187	6,479,187
Equity funds	-	33,839,594	-	33,839,594
Other - miscellaneous	-	1,576,740	-	1,576,740
Total investments at fair value	$ 4,981,276	$ 123,944,332	$ 21,096,457	$ 150,022,065
Investments carried at amortized cost				
Government-wide financials:				
MLGIP	$ -	$ -	$ -	$ 10,916,432
Length of Service Awards Trust (LOSAP):				
MLGIP	-	-	-	1,602,992
Total investments at amortized cost	$ -	$ -	$ -	$ 12,519,424
Total investments	$ 4,981,276	$ 123,944,332	$ 21,096,457	$ 162,541,489

In FY2015, the County joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the "Trust"). There are nine members to this wholly-owned instrumentality of its members. The Trust is a common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. The assets of the Trust are managed by a Board of Trustees and consist of U.S. treasury obligations, U.S. government agencies, corporate & foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds and international equity securities.

At June 30, 2017 the net position of the Trust was valued at $80.4 million; the County's interest was $1.1 million. Contributions to the Trust Fund qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement No. 45 and the Trust Fund qualifies as a "trust or equivalent arrangement" under the meaning of GASB Statement No. 43. The Trust is audited annually by an independent CPA firm. Separately issued financial statements may be obtained by sending a request to the following address: Board of the MACo Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Investments (continued)

The summary below identifies the fair market value levels of the investments of the MACo Pooled Investment Trust as of June 30, 2017.

	Investments at fair value			
	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. Treasury obligations	$ -	$ 2,673,538	$ -	$ 2,673,538
U.S. Governmental agencies	-	187,444	-	187,444
Corporate & foreign bonds	-	4,236,920	-	4,236,920
Municipal obligations	-	476,781	-	476,781
Equity Investments:				
Taxable fixed income funds	-	1,081,346	-	1,081,346
Mutual funds	12,191,732	-	-	12,191,732
Global funds	1,611,002	-	-	1,611,002
International	3,482,827	-	-	3,482,827
Total	$ 17,285,561	$ 8,656,029	$ -	$ 25,941,590

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The County may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

COMPONENT UNITS
St. Mary's County Public Schools

Deposits - Custodial credit risk

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government unit's such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2017 all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest bearing accounts in any bank. At June 30, 2017, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The school system has no policy on credit risk.

2. Cash, cash equivalents and investments (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Investments (continued)

The carrying amount and market value of such investments were $14,424,047, $409,227, and $586,111 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of $1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a $1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP's share price.

The School System is not subject to any limitations or restrictions on withdrawals of its investments in MLGIP.

St. Mary's County Library

Cash deposits and investments

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

At June 30, 2017, the carrying amount of the Library's cash was $278,961, and the bank balances totaled $351,424. The Library's bank balance is insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2017, the uninsured and uncollateralized bank balance totaled $101,424.

Investments in the Maryland Local Government Investment Pool (MLGIP), an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The separately issued financial statement of the MLGIP may be obtained by contacting the contractor.

	Carrying Amount	Market Value
Unrestricted:		
Investment in Maryland Local Government Investment Pool	$ 415,897	$ 415,897
Restricted:		
The Vanguard Group	$ 99,961	$ 99,961

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

Statutes authorize the Library to invest in obligations of the United States government, federal government agency obligations, repurchase agreements secured by direct government or agency obligations, certificates of deposit, banks' acceptances, commercial paper, pooled investments and municipal bonds and municipal mutual funds.

2. Cash, cash equivalents and investments (continued)

COMPONENT UNITS (continued)

St. Mary's County Metropolitan Commission (MetCom)

Deposits

Of the bank balances, all of the CDARS deposits are covered by FDIC insurance. The other bank deposits were covered by $250,000 FDIC insurance at June 30, 2017, with the remaining $6,635,825 adequately covered by collateral.

At June 30, 2017, there were no deposits exposed to custodial credit risk, interest rate risk or foreign currency risk.

MetCom has certificates of deposits that have been issued through the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows a banking customer to maintain federal depository insurance on balances in excess of the FDIC limit. Regulatory guidelines require that deposits placed through the CDARS program be considered brokered deposits. The cost and fair value of the CDARS broker deposits at June 30, 2017 was $10,000,000.

Cash and cash equivalents consisted of the following:

Investments - MLGIP	$ 7,317,042
Broker deposits – CDARS	10,000,000
Cash	6,885,821
Petty cash	1,500
	$ 24,204,363

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAm by Standard and Poors. As of June 30, 2017, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments at June 30, 2017 was $7,317,042.

MetCom also joined the MACo Pooled OPEB trust in FY2015. Its interest in the trust at June 30, 2017 was $4.1 million.

3. <u>Changes in capital assets</u>

PRIMARY GOVERNMENT

A summary of changes in capital assets is as follows:

	Balance June 30, 2016	Additions	Transfers/ Disposals	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 36,653,850	$ 1,903,486	$ -	$ 38,557,336
Construction in progress	9,855,893	17,218,328	(10,173,567)	16,900,654
911 system & equipment	1,423,733	-	-	1,423,733
Total capital assets not being depreciated	47,933,476	19,121,814	(10,173,567)	56,881,723
Capital assets being depreciated:				
Buildings & improvements	116,305,904	643,635	-	116,949,539
Computer equipment	2,604,247	99,098	-	2,703,345
Other equipment	285,160	43,375	-	328,535
Vehicles - licensed	15,284,768	1,130,053	(1,072,817)	15,342,004
Off-road vehicles	2,147,382	106,365	-	2,253,747
Miscellaneous equipment	6,399,379	264,686	(12,325)	6,651,740
Roads	199,859,387	12,804,246	-	212,663,633
Curbing	946,791	-	-	946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,560,217	41,500	-	1,601,717
Airport infrastructure	4,910,724	-	-	4,910,724
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	8,544,435	82,535	-	8,626,970
Parks & recreation	14,180,324	2,728,390	-	16,908,714
Marinas & docks	8,176,125	175,962	-	8,352,087
Irrigation systems	241,853	-	-	241,853
Signage	475,433	-	-	475,433
Parking lots	1,067,134	-	-	1,067,134
911 system & equipment	15,152,432	3,397,264	-	18,549,696
Total capital assets being depreciated	400,652,308	21,517,109	(1,085,142)	421,084,275
Accumulated depreciation for:				
Buildings & improvements	(45,170,648)	(2,227,087)	-	(47,397,735)
Computer equipment	(2,214,165)	(120,388)	-	(2,334,553)
Other equipment	(192,961)	(13,160)	-	(206,121)
Vehicles - licensed	(9,697,680)	(1,191,514)	996,777	(9,892,417)
Off-road vehicles	(1,561,193)	(73,175)	-	(1,634,368)
Miscellaneous equipment	(4,129,672)	(419,522)	10,774	(4,538,420)
Roads	(85,554,579)	(5,930,138)	-	(91,484,717)
Curbing	(747,846)	(19,524)	-	(767,370)
Sidewalks	(536,649)	(25,058)	-	(561,707)
Guardrails	(565,130)	(36,056)	-	(601,186)
Airport infrastructure	(4,582,106)	(41,947)	-	(4,624,053)
Airport equipment	(539,799)	(8,735)	-	(548,534)

3. Changes in capital assets (continued)

PRIMARY GOVERNMENT (continued)

	Balance June 30, 2016	Additions	Transfers/ Disposals	Balance June 30, 2017
Accumulated depreciation for: (continued)				
Baseball fields	$ (467,385)	$ (15,288)	$ -	$ (482,673)
Bridges	(2,939,657)	(172,010)	-	(3,111,667)
Parks & recreation	(5,225,245)	(484,835)	-	(5,710,080)
Marinas & docks	(5,307,615)	(282,710)	-	(5,590,325)
Irrigation systems	(136,649)	(5,787)	-	(142,436)
Signage	(428,141)	(7,976)	-	(436,117)
Parking lots	(448,609)	(65,320)	-	(513,929)
911 equipment	(5,346,201)	(809,899)	-	(6,156,100)
Total accumulated depreciation	(175,791,930)	(11,950,129)	1,007,551	(186,734,508)
Total capital assets being depreciated, net	224,860,378	9,566,980	(77,591)	234,349,767
Governmental activities capital assets, net	$ 272,793,854	$ 28,688,794	$ (10,251,158)	$ 291,231,490
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,078,666	$ -	$ -	$ 1,078,666
Solid waste facilities	13,220,472	-	-	13,220,472
Total capital assets not being depreciated	14,299,138	-	-	14,299,138
Capital assets being depreciated:				
Buildings & improvements	4,334,174	-	-	4,334,174
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,433,064	-	(163,272)	2,269,792
Off-road vehicles	1,237,950	-	-	1,237,950
Miscellaneous equipment	578,778	7,913	-	586,691
Irrigation systems	509,986	-	-	509,986
Total capital assets being depreciated	9,190,499	7,913	(163,272)	9,035,140
Accumulated depreciation for:				
Buildings & improvements	(1,747,964)	(82,111)	-	(1,830,075)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(38,764)	(130)	-	(38,894)
Vehicles - licensed	(1,676,733)	(134,321)	163,272	(1,647,782)
Off-road vehicles	(912,822)	(61,002)	-	(973,824)
Miscellaneous equipment	(470,262)	(15,518)	-	(485,780)
Irrigation systems	(362,372)	(16,693)	-	(379,065)
Total accumulated depreciation	(5,266,105)	(309,775)	163,272	(5,412,608)
Total capital assets being depreciated, net	3,924,394	(301,862)	-	3,622,532
Business-type activities capital assets, net	$ 18,223,532	$ (301,862)	$ -	$ 17,921,670

3. Changes in capital assets (continued)

PRIMARY GOVERNMENT (continued)

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

Governmental activities		
General Government	$	1,483,647
Public Safety		2,233,501
Public Works		6,977,135
Social Services		107,820
Post -Secondary Education		49,328
Parks, Recreation, and Culture		911,975
Libraries		184,266
Economic Development and Opportunity		2,457
Total Depreciation - Governmental Activities	$	11,950,129
Business-type activities		
Recreation Activity Fund	$	18,608
Solid Waste/Recycling		184,172
Wicomico		106,995
Total Depreciation - Business-Type Activities	$	309,775

3. Changes in capital assets (continued)

COMPONENT UNITS
St. Mary's County Public Schools

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

	Balance June 30, 2016	Additions	Deletions/ Transfers	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated:				
Land	$ 3,636,073	$ 106,686	$ -	$ 3,742,759
Construction in process	21,529,772	3,890,491	(320,660)	25,099,603
	25,165,845	3,997,177	(320,660)	28,842,362
Capital assets being depreciated:				
Buildings and improvements	372,265,361	641,440	-	372,906,801
Furniture and equipment	8,990,363	691,133	(589,124)	9,092,372
Equipment leased under financing agreements	6,676,139	-	-	6,676,139
	387,931,863	1,332,573	(589,124)	388,675,312
Accumulated depreciation for:				
Buildings and improvements	(138,444,336)	(8,992,955)	-	(147,437,291)
Furniture and equipment	(10,876,541)	(1,957,237)	552,575	(12,281,203)
	(149,320,877)	(10,950,192)	552,575	(159,718,494)
Governmental activities capital assets, net	$ 263,776,831	$ (5,620,442)	$ (357,209)	$ 257,799,180
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	$ 1,848,816	$ 33,286	$ -	$ 1,882,102
Accumulated depreciation for:				
Furniture and equipment	(1,289,832)	(99,166)	-	(1,388,998)
Business-type activities capital Assets, net	$ 558,984	$ (65,880)	$ -	$ 493,104

3. Changes in capital assets (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2017, as follows:

Governmental activities	
Administration	$ 18,392
Mid-level administration	836,358
Other instructional costs	953,693
Special education	6,869
Student personnel services	682
Student transportation services	126,402
Operation of plant	8,992,955
Maintenance of plan	14,841
Total governmental activities depreciation expenses	$ 10,950,192
Business-type activities	
Food services	$ 99,166

St. Mary's County Library

Activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions/ Transfers	Balance June 30, 2017
Capital assets:				
Furnishings and equipment	$ 952,535	$ 13,800	$ -	$ 966,335
Leasehold improvements	87,735	-	-	87,735
Vehicles	34,944	-	-	34,944
Books	5,053,520	398,809	874,643	4,577,686
	6,128,734	412,609	874,643	5,666,700
Accumulated depreciation:				
Furnishings and equipment	901,159	26,121	-	927,280
Leasehold improvements	10,530	1,755	-	12,285
Vehicles	26,870	3,808	-	30,678
Books	3,815,700	410,443	874,643	3,351,500
	4,754,259	442,127	874,643	4,321,743
Net capital assets	$ 1,374,475	$ (29,518)	$ -	$ 1,344,957

Governmental activities depreciation expense of $442,127 was charged to Library services.

3. Changes in capital assets (continued)

COMPONENT UNITS (continued)

St. Mary's County Metropolitan Commission

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets:				
Utility plants	$ 133,917,751	$ 12,980,624	$ 1,797,873	$ 145,100,502
Water plant systems	46,581,703	3,958,133	-	50,539,836
Equipment	8,761,275	572,629	43,726	9,290,178
Capitalized interest	818,201	-	-	818,201
Buildings	3,866,631	52,977	-	3,919,608
Subtotal	193,945,561	17,564,363	1,841,599	209,668,325
Not being depreciated:				
Utility plant construction in process	7,908,508	7,191,948	12,980,624	2,119,832
Water plant construction in process	7,239,322	5,212,944	3,958,133	8,494,133
Land/land rights	1,066,817	118,158	-	1,184,975
	210,160,208	30,087,413	18,780,356	221,467,265
Accumulated depreciation:				
Utility plants	39,933,186	3,818,021	1,797,873	41,953,334
Water plant systems	11,113,169	1,579,391	-	12,692,560
Equipment	6,132,004	667,818	43,726	6,756,096
Capitalized interest	351,826	16,364	-	368,190
Buildings	1,652,283	158,166	-	1,810,449
	59,182,468	6,239,760	1,841,599	63,580,629
Net capital assets	$ 150,977,740	$ 23,847,653	$ 16,938,757	$ 157,886,636

Depreciation expenses of $6,239,760 was charged to activities as follows:

Sewer activities	$ 4,207,752
Water activities	1,915,596
Engineering activities	27,701
Administrative	88,711
Total	$ 6,239,760

4. Property tax

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied each July 1, and the taxpayer has the option to pay in full without interest by September 30 or elect a semiannual payment option. If a semiannual payment option is elected, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Interest is charged for each month or fraction thereof if the taxes remain unpaid beginning October 1 on accounts under the annual payment option or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of St. Mary's County the power to immediately advertise and sell any real property after the taxes are delinquent for a period of one year. Property taxes are levied at rates enacted by the Commissioners in the annual budget applied to the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. 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 then only after public hearings. The real property tax rate during the year ended June 30, 2017, was $.8523 per $100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2017 was $.8468. The personal property tax rate during the year ended June 30, 2017 was $2.1308 per $100 of assessed value. The County Treasurer bills and collects all property taxes.

A 100% allowance for uncollectibles is established for prior year taxes receivable. County property tax receivable as of June 30, 2017, net of the allowance for uncollectibles of $705,755, is $1,901,603 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

5. Special tax assessment receivable and unearned revenue

PRIMARY GOVERNMENT

The special assessment receivable is composed of various special assessments levied by the County for completed projects funded by the County. The cost of the completed projects is billed to taxpayers over periods from 10 to 25 years and reported as a special assessment receivable and unearned revenue. In accordance with the modified accrual method of accounting, in subsequent periods, when revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for the unearned revenue is removed from the balance sheet and revenue is recognized. The non-current portion of the receivable is offset by a fund balance reserve account, which indicates that this does not constitute available resources since this is not a component of fund balance. The current portion of the special assessment receivable is considered available spendable resources.

As of June 30, 2017, the amount of delinquent special assessment receivables due from taxpayers was $266.

COMPONENT UNITS

St. Mary's County Public Schools

Unearned revenue

General fund

Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses/ expenditures incurred to date under those programs at June 30, 2017, of $3,705,973.

5. Special tax assessment receivable and unearned revenue (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Unearned revenue (continued)

Capital projects fund

Unearned revenue consists of prefunding in the amount of $761,960 for construction projects at Spring Ridge Middle School, and funds received for a removal security deposit to be used either towards the purchase of, or removal of an installed solar generating facility upon the expiration of a solar power purchase agreement in the amount of $81,837.

Enterprise fund

Unearned revenue of $12,486 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2018.

6. Long-term obligations

PRIMARY GOVERNMENT

Governmental activities	June 30, 2016	Additions	Deductions	Principal Repayment	June 30, 2017	Amounts due within one year
General obligation bonds - county	$ 63,633,000	$ 25,000,000	$ -	$ (7,475,000)	$ 81,158,000	$ 8,516,000
Water quality loans	874,656	-	-	(324,784)	549,872	328,357
State loans	1,514,771	99,285	-	(131,581)	1,482,475	131,582
Surplus property transfer of debt	300	-	-	(147)	153	153
Exempt financing	5,424,514	-	-	(3,055,445)	2,369,069	881,799
	71,447,241	25,099,285	-	(10,986,957)	85,559,569	9,857,891
Landfill post-closure costs	4,230,000	-	-	(191,000)	4,039,000	-
Compensated absences (long-term)	5,124,231	131,223	-	-	5,255,454	17,594
	9,354,231	131,223	-	(191,000)	9,294,454	17,594
Amount reported in statement of net position	$ 80,801,472	$ 25,230,508	$ -	$ (11,177,957)	$ 94,854,023	$ 9,875,485
Business-type activities						
Exempt financing	$ 547,942	$ -	$ 7,640	$ (235,436)	$ 304,866	$ 121,654
Compensated absences (long-term)	120,831	9,578	-	-	130,409	-
Amount reported in statement of net position	$ 668,773	$ 9,578	$ 7,640	$ (235,436)	$ 435,275	$ 121,654

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates.

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities

General obligation bonds

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenue. In addition, General Obligation Bonds have been issued to refund both General Obligation and Revenue Bonds. General Obligation Bonds are direct obligations of the County and pledge the full faith and credit of the government.

On November 17, 2009, the County issued General Obligation Bonds of $13,055,000 Series A Tax Exempt Bonds, $16,945,000 Series B Build America Bonds, and a $15,645,000 Series C Refunding Bond. The Bonds will mature on July 15, in 20 annual serial installments, beginning in the year 2010 and ending in the year 2030. Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 3.09%.

The Series B, Build America Bonds, are taxable with a bi-annual credit of 35% of the interest from the Internal Revenue Service.

The Series C Refunding Bond of $15,645,000 is an advanced refunding on the 2001 General Obligation Bond, on principal payments of $15,085,000. The last payment for the un-refunded portion of the 2001 General Obligation Bond was in 2012.

On November 8, 2011, the 2002 Refunding Bonds and the 2003 Public Facilities and Refunding Bonds were refunded in the 2011 General Obligation Refunding Bonds for $34,357,000. The 2002 Refunding Bonds will mature on October 1, in 8 installments, beginning in 2013 and ending in 2019. The 2003 Refunding Bonds will mature on November 1, in 12 installments, beginning in 2013 and ending in 2023. Both the 2002 and 2003 Refunding Bonds carry interest rates ranging from 2.25-2.41%.

On April 10, 2014, the 2005 General Obligation Bonds were refunded with an advance refunding for $9,934,000. The 2014 Direct Bank Loan Refunding will mature on March 1, in 10 installments, beginning in 2016 and ending in 2025. The Refunding Bonds carry an interest rate of 2.32%. The County refunded these bonds to reduce its total debt service payments and to obtain an economic gain of $626,595.

On July 26, 2016, the County issued General Obligation Bonds ($25,000,000 Consolidated Public Improvement Bonds). The Consolidated Public Improvement Bonds will mature on August 1, in 20 annual serial installments, beginning in the year 2017 and ending with the year 2036. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity with an average interest rate of 2.25%.

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

2004 Maryland water quality loan

On May 26, 2004, Commissioners of St. Mary's County entered into an agreement with the Maryland Water Quality Financing Administration to borrow an amount not to exceed $4,332,759 for landfill post-closure costs, St. Andrews Landfill area B, cells 3 and 5. The final loan amount has been determined and a new amortization schedule has been formally placed in effect. The loan bears an interest rate of 1.10% per annum, payable semiannually. Principal payments are due annually through 2019 beginning February 1, 2006. The annual requirements to amortize the Maryland Water Quality Loan as of June 30, 2017, based on the final loan amount of $3,934,347, are as follows:

Years ending June 30,	Principal	Interest	Administrative fee	Total
2018	$ 328,357	$ 6,049	$ 11,448	$ 345,854
2019	221,515	2,437	11,448	235,400
Total	$ 549,872	$ 8,486	$ 22,896	$ 581,254

2006 Surplus property, transfer of net debt

On June 6, 2006, Commissioners of St. Mary's County entered into a public school property transfer agreement with St. Mary's County Public Schools for the transfer of George Washington Carver Elementary School. With this property transfer, the County agreed to assume the total outstanding State bond debt of $368,769. As of June 30, 2017, the principal and interest payments through 2018 are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 153	$ 6	$ 159
Total	$ 153	$ 6	$ 159

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

2015 Exempt financing equipment lease

On February 17, 2015, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow $1,910,000 for the purchase of vehicles. The lease bears interest at a rate of 1.49% per annum, payable annually through 2019. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2015 exempt financing equipment lease as of June 30, 2017, based on the total final lease amount of $1,910,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 304,649	$ 9,208	$ 313,857
2019	309,076	4,638	313,714
Total	$ 613,725	$ 13,846	$ 627,571

2016 Exempt financing equipment lease

On October 29, 2016, Commissioners of St. Mary's County entered into an agreement with Banc of America Public Capital Corp. to borrow $3,200,000 for the purchase of vehicles. The lease bears interest at a rate of 1.37% per annum, payable annually through 2020. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2016 exempt financing equipment lease as of June 30, 2017, based on the total final lease amount of $3,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 577,150	$ 24,113	$ 601,263
2019	585,078	16,185	601,263
2020	593,116	8,148	601,264
Total	$ 1,755,344	$ 48,446	$ 1,803,790

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

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

Description	Due	Rate	Amount
MD Water quality loans and other state loans			
Maryland department of natural resources:			
Point Breeze	1993-2018	None	$ 8,142
Holly Point Shores	2008-2032	None	150,427
Murray Road Revetment	2004-2028	None	39,952
Maryland Water Quality Loan	2005-2019	1.10%	549,872
Piney Point Lighthouse	2009-2026	None	302,733
Villas on Water Edge	2009-2032	None	326,940
Kingston Creek II	2010-2037	None	210,871
North Patuxent Beach	2009-2025	None	226,424
Thomas Road	2016-2030	None	124,320
Gibson Road	2017-2031	None	92,666
	Total state loans		2,032,347
General obligation bonds			
2009 General Obligation Bonds, Series A	2010-2020	2.5-4.0%	4,185,000
2009 Bonds, BAB, Series B	2021-2030	4.519%-5.7%*	16,945,000
*Rate shown does not reflect 35% rebate			
2009 Refunding Bonds, Series C	2010-2022	2-5%	8,605,000
2011 Refunding Bonds	2012-2024	2.25-2.41%	17,929,000
2014 Refunding Bonds	2016-2025	2.32%	8,494,000
2016 General Obligation Bonds	2017-2037	2.25%	25,000,000
	Total general obligation bonds		81,158,000
Total state loans and bonds			83,190,347
Surplus property transfer of debt			153
Accrued landfill closure and postclosure costs			4,039,000
Exempt Financing			2,369,069
Accumulated unpaid annual leave			5,255,454
Total			$ 94,854,023

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Business-type activities

2015 Exempt financing equipment lease

The annual requirements to amortize the business-type activities portion of the 2015 exempt financing equipment lease as of June 30, 2017, based on the total final lease amount of $1,910,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 63,596	$ 1,922	$ 65,518
2019	64,693	968	65,661
Total	$ 128,289	$ 2,890	$ 131,179

2016 Exempt financing equipment lease

The annual requirements to amortize the business-type activities portion of the 2016 exempt financing equipment lease as of June 30, 2017, based on the total final lease amount of $3,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 58,058	$ 2,426	$ 60,484
2019	58,856	1,628	60,484
2020	59,663	820	60,483
Total	$ 176,577	$ 4,874	$ 181,451

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Special assessment debt

Special assessment fund debt payable as of June 30, 2017 is composed of the following loans payable to the Maryland Department of Natural Resources:

Holly Point Shore Erosion Control, originally payable in twenty-five annual installments of $10,029 without interest, guaranteed by the full faith and credit of the County.	$ 150,427
Villas on Waters Edge Shore Erosion, payable in twenty annual installments of $21,796, without interest, guaranteed by the full faith and credit of the County.	326,940
Kingston Creek Waterway #2, payable in twenty-five annual installments of $10,544, without interest, guaranteed by the full faith and credit of the County.	210,871
	$ 688,238

St. Mary's County Government has agreed that the above amounts borrowed shall be reimbursed and that these obligations shall be supported by the full faith and credit of the County.

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest of $16,637,639, except for the accrued landfill closure and postclosure costs, accumulated unpaid leave benefits, exempt financing, surplus property debt and Maryland Water Quality Loans, are as follows:

	Governmental Activities		
Years ending June 30,	Principal	Interest	Total
2018	$ 8,647,582	$ 2,381,596	$ 11,029,178
2019	8,871,440	2,125,014	10,996,454
2020	9,113,440	1,869,187	10,982,627
2021	6,926,440	1,648,762	8,575,202
2022	7,130,440	1,456,667	8,587,107
2023-2027	20,975,957	4,824,145	25,800,102
2028-2032	12,692,463	1,806,249	14,498,712
2033-2037	8,282,713	526,019	8,808,732
Total	$ 82,640,475	$ 16,637,639	$ 99,278,114

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

A summary of the totals above by debt type is as follows:

	General Obligation Bonds	State Loans	Special Assessment Fund	Total
Principal	$ 81,158,000	$ 794,237	$ 688,238	$ 82,640,475
Interest	16,637,639	-	-	16,637,639
	$ 97,795,639	$ 794,237	$ 688,238	$ 99,278,114

COMPONENT UNITS

St. Mary's County Public Schools

Long-term liabilities

Long-term debt at June 30, 2017, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2017.

	June 30, 2016	Additions	Deductions	June 30, 2017	Amounts due within one year
Governmental activities:					
Equipment financing agreements	$ 765,449	$ -	$ (458,763)	$ 306,686	$ 123,519
Compensated absences	4,929,865	565,004	(587,702)	4,907,167	510,215
Net OPEB obligation	51,302,049	22,393,000	(6,630,000)	67,065,049	-
Net pension obligation	12,514,609	715,005	-	13,229,614	-
	$ 69,511,972	$ 23,673,009	$ (7,676,465)	$ 85,508,516	$ 633,734
Business-type activities:					
Compensated absences	$ 185,829	$ -	$ -	$ 185,829	$ 12,486

The compensated absences liability attributable to the governmental activities will be liquidated solely by the General Fund.

During previous years, the School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of $47,810, and quarterly payments of $1,824, at interest rates ranging from 3.74% to 7.88% expiring through April 2020. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Long-term liabilities (continued)

The future minimum lease payments and the new present value of the minimum lease payments as of June 30, 2017, under these equipment financing agreements are as follows:

Years ending June 30,

2018	$ 131,756
2019	103,654
2020	86,380
	321,790
Less amount representing interest	(15,104)
Present value of minimum lease payments	$ 306,686

St. Mary's County Library

Long-term debt

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for the year ended June 30, 2017:

June 30, 2016	Increases	Decreases	June 30, 2017	Amounts due within one year
$ 97,607	$ 5,410	$ -	$ 103,017	$ -

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission

Long-term debt - bonds

Long-term bonds payable as of June 30, 2017 are as follows:

Bonds payable description	Due	Rate	Principal	Interest
Twenty-third Issue	2008-2027	3.5 - 4.25%	$ 1,096,500	$ 66,751
Twenty-seventh Issue	2011-2030	0.75 - 4.31%	9,026,300	2,750,969
Thirtieth Issue	2012-2029	2.96 - 3.4%	1,044,592	215,520
Thirty-first Issue	2013-2032	0.61 - 3.42%	6,852,900	1,808,097
Thirty-sixth Issue	2014-2033	4.31%	13,486,300	5,771,203
Thirty-eighth issue	2015-2034	3.51%	19,507,500	6,985,727
Thirty-ninth issue	2015-2021	1.31%	1,472,000	32,698
Forieth issue	2015-2027	2.08%	5,519,000	737,443
			58,005,092	18,368,408
Less current portion			3,880,837	1,945,893
			$ 54,124,255	$ 16,422,515

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2017 are as follows:

Years ending June 30,	Principal	Interest	Total
2018 (current)	$ 3,880,834	$ 1,945,893	$ 5,826,727
2019	3,968,206	1,861,366	5,829,572
2020	3,410,908	1,765,971	5,176,879
2021	3,446,339	1,681,952	5,128,291
2022	3,483,393	1,591,476	5,074,869
2023-2027	19,064,257	6,326,661	25,390,918
2028-2032	16,675,655	2,954,065	19,629,720
2033-2034	4,075,500	241,024	4,316,524
Total	$ 58,005,092	$ 18,368,408	$ 76,373,500

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Twenty-first issue

On April 15, 2006, MetCom issued Refunding Bonds in the principal amount of $1,158,700. The bonds mature on May 1, in 15 annual installments, beginning in 2007 and ending in 2021. Interest was payable on November 1, 2006 and semiannually thereafter on each May 1 and November 1 to maturity.

The bonds were issued to refund all the outstanding maturities of the Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with a true interest cost ranging from 3.65% to 4.275% to refund certain maturities of $620,000 in outstanding 1996 series A bonds, the Thirteenth Issue, with a coupon rate of 5.579% and $500,000 in outstanding 1995 series A bonds, the Tenth Issue, with an average interest rate of 6.24%. These bonds were issued to take advantage of a favorable interest rate environment. The net proceeds (including interest and premium) of $1,131,200 were deposited with an escrow agent to provide for all future debt service payments of the refunded bonds.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $152,325 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $110,445.

On August 6, 2015 MetCom refinanced $432,600 of this debt with TD bank. This bond was paid in full as of June 30, 2016.

Twenty-third issue

On November 14, 2007, MetCom issued $10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2015, MetCom had drawn only $10,101,170 of the proceeds.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest was payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

On August 6, 2015 MetCom refinanced $5,914,800 of this debt with TD bank.

Twenty-seventh issue

On August 25, 2010, MetCom issued $12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, the unspent proceeds were $2,467,518.

The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2020. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of $1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

Period	Price
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

The bonds were issued to refund all the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by $249,357 and to obtain an economic gain of $197,055.

Thirty-first issue

On December 19, 2012, MetCom issued $8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, the unspent proceeds were $4,739,483.

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-sixth issue

On October 2, 2013, MetCom issued $15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, the unspent proceeds were $10,701,202.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Thirty-eighth issue

On August 28, 2014, MetCom issued $22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, the unspent proceeds were $17,646,141.

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of $2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of $1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $102,135.

Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of $5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $431,337.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)

St. Mary's Metropolitan Commission (continued)

Notes, leases and loans payable as of June 30, 2017 are as follows:

Note description	Due	Rate	Principal	Interest	Undrawn
MD Water Quality Loan #15	2020	2.700%	$ 155,280	$ 16,599	$ -
MD Water Quality Loan #16	2023	1.200%	145,347	12,656	-
MD Water Quality Loan #18	2025	1.100%	2,009,386	200,980	-
MD Water Quality Loan #19	2024	1.100%	383,259	36,530	-
MD Water Quality Loan #20	2024	1.100%	350,447	27,902	-
MD Water Quality Loan #22	2027	1.100%	566,899	61,908	-
MD Water Quality Loan #25	2029	1.000%	124,439	14,885	-
MD Water Quality Loan #26	2030	1.000%	391,702	48,833	-
MD Water Quality Loan #28	2030	2.200%	323,007	71,548	-
MD Water Quality Loan #32	2034	1.800%	3,981,648	899,865	452,841
MD Water Quality Loan #33	2033	1.700%	339,001	69,325	-
MD Water Quality Loan #34	2035	2.100%	19,224,057	5,186,237	122,151
MD Water Quality Loan #35	2035	2.100%	4,806,014	1,296,578	30,539
MD Water Quality Loan #37	2034	2.000%	2,190,323	504,435	-
Leonardtown #41	2037	1.800%	1,705,500	435,932	-
			36,696,309	8,884,213	$ 605,531
Less current portion			2,117,498	849,288	
			$ 34,578,811	$ 8,034,925	

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2017, are as follows:

Years ending June 30,	Principal	Interest	Total
2018 (current)	$ 2,117,498	$ 849,288	$ 2,966,786
2019	2,156,049	808,910	2,964,959
2020	2,195,341	769,566	2,964,907
2021	2,154,658	726,753	2,881,411
2022	2,098,732	682,976	2,781,708
2023-2027	10,233,659	2,779,549	13,013,208
2028-2032	9,901,803	1,734,438	11,636,241
2033-2037	5,838,569	532,733	6,371,302
Total	$ 36,696,309	$ 8,884,213	$ 45,580,522

6. Long-term obligations (continued)

COMPONENT UNITS (continued)

St. Mary's Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

As of June 30, 2017, MetCom has fourteen loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eleven of $4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for $835,000 was drawn during the year ended June 30, 2000 for the purpose of financing an office building for the administrative use of MetCom. Loan number sixteen for $567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for $4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for $976,700 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for $1,466,576 was for water meter installations. Loan number twenty-two for $1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for $191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for $582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for $443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of $4,874,202 is for the Radio Read Meter Project. As of June 30, 2017, MetCom had drawn $4,421,361 of the proceeds. Loan number thirty-three in the amount of $394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the amount of $21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of $5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2017, MetCom has drawn $26,200,310 of the proceeds on loans thirty-four and thirty-five. Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.

Loan number twenty-nine is with SunTrust Bank in the amount of $270,682 at an interest rate of 2.03%. Payments are made monthly on this loan from December 2011 through November 2016. The proceeds of this loan were used to purchase a Vactor truck. Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project.

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2017 were as follows:

	June 30, 2016	Additions	Deductions	June 30, 2017	Amounts due within one year
Bonds payable	$ 61,777,902	$ -	$ 3,772,810	$ 58,005,092	$ 3,880,834
Notes, Leases and loans payable	37,267,433	1,808,371	2,379,495	36,696,309	2,117,498
Total long-term debt	$ 99,045,335	$ 1,808,371	$ 6,152,305	$ 94,701,401	$ 5,998,332

7. Fund balances

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2017 is as follows:

		Special Revenue Funds		Debt Service Fund	
	General Fund	Fire & Rescue Revolving	Emergency Support	Special Assessments	Capital Projects Fund
Nonspendable					
Inventory	$ 1,315,646	$ -	$ -	$ -	$ -
Prepaid expenses	30,665				
Interfund advance (Wicomico)	817,676	-	-	-	-
Total nonspendable	2,163,987	-	-	-	-
Restricted					
Domestic Violence Programs	5,190	-	-	-	-
County matching funds for approved grants	287,193	-	-	-	-
Funding sources specified for capital projects					
Land preservation	-	-	-	-	1,722,075
Various capital projects - transfer tax	-	-	-	-	13,297,910
County pay-go					3,493,697
Roads- impact fees	-	-	-	-	188,861
Roads- mitigation	-	-	-	-	295,472
Parks- impact fees	-	-	-	-	231,705
Parks- mitigation	-	-	-	-	46,753
Schools-impact fees	-	-	-	-	3,840,210
Schools-mitigation	-	-	-	-	34,125
Total restricted	292,383	-	-	-	23,150,808
Committed					
Bond rating reserve	13,330,021	-	-	-	-
Rainy day fund	1,625,000	-	-	-	-
Operating budget, non-recurring items	-	-	-	-	-
Other, net, including grants	-	369,741	999,146	396,065	4,107,988
Total committed	14,955,021	369,741	999,146	396,065	4,107,988
Assigned	2,025,064	-	-	-	-
Unassigned	30,394,751	-	-	-	-
Total fund balances	$ 49,831,206	$ 369,741	$ 999,146	$ 396,065	$ 27,258,796

7. Fund balances (continued)

St. Mary's County spends funds in the following order: committed, then assigned, then unassigned.

The Board of County Commissioners (Board) is the highest level of decision-making authority, and committed funds are established by resolution, legislation, ordinance, and/or contractual action through the budget process. Those committed amounts cannot be used for any other purpose without Board action.

The authority for assigning fund balance is delegated to the Finance Department by the Board to carry out their approved plan.

The nonspendable fund balance includes:
Inventory - The amount of inventory at June 30, 2017, carried as an asset.

The restricted fund balance includes:
Domestic violence programs - The amount of marriage license fees committed for domestic violence programs, by resolution.

County matching funds for approved grants – The amount of county funding that is committed as a match to grants that were budgeted in FY2017, but for which the period extends beyond June 30, 2017. These funds will be needed to meet the obligations of the grant.

Revenues appropriated for capital projects - The amount of revenue collected to date, which has been obligated through the budget process for specific capital projects, and will be used for future capital project expenses.

The committed fund balance includes:
Bond Rating Reserve – set by ordinance, at a minimum of 6% of the next year's revenues

Bond Rainy Day Fund – established by the Commissioners for unanticipated events.

The debt service fund assigned fund balance includes:
Retirement of long-term obligations - The amount of future revenue (collections) of Special Assessments that is legally restricted to expenditures for specified purposes. This future revenue will be used for the retirement of long-term obligations.

The general fund assigned fund balance is composed of:

Encumbrances	$ 1,149,786
Miscellaneous revolving fund	875,278
	$ 2,025,064

7. Fund balances (continued)

As a part of our FY2018 budget process, unassigned fund balance was not used.

When unassigned fund balance is used, it is for one-time, non-recurring expenses.

In May 2017, as a part of the approval of the FY2018 budget, the Board approved not to use unassigned fund balance to increase reserves percent to revenue above 15% per fund balance policy.

> UNASSIGNED ($21,526,626)
> Remains unassigned; to help avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls, or cost shifts. And, given the still uncertain economy and the federal budget situation and its impact on the County's largest employment sector, it can help the County to weather negative revenue results for a limited period of time.

Each subsequent budget will include evaluation of the fund balance levels and assumptions upon which the plan was developed to determine whether it needs to be revised.

8. Retirement plans

PRIMARY GOVERNMENT

For the year ended June 30, 2017, the County recognized aggregated pension expense of $8,824,462 for all three pension systems.

State retirement and pension system of Maryland

Plan description

All permanent, full-time employees of the County, (other than those covered by the Sheriff's Office Retirement Plan) are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the System). The System is a cost sharing multiple-employer defined benefit pension plan administered in accordance with Article 73B of the annotated Code of Maryland by the State Retirement Agency of Maryland (SRA) to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or www.sra.state.md.us/Agency/Downloads/CAFR. The State of Maryland is obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. 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. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund.

Eligible employees participate in one of two State sponsored plans:

a. The Employees' Retirement System, established October 1, 1941 (closed to all new members in January 1980). Membership is a condition of employment. Members participate under one of three options: Plan A – member elected to pay a higher contribution rate to maintain all benefits, including unlimited cost-of-living adjustments; Plan B – member continued pre-1984 contribution rate to maintain all benefits except unlimited cost of living. Cost of living adjustments are capped at 5%; Plan C – member chose a combination, or two-part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

b. The Employee's Pension System, established January 1, 1980. Membership is a condition of employment.

Plan benefits

Members of the Employees' Retirement Systems qualify for a normal service retirement upon attaining the age of 60, regardless of service or upon accumulating 30 years of eligibility service, regardless of age. The annual retirement allowance for members who opted to join Plan A or B equals 1/55 of a member's average final compensation (AFC) for each year of creditable service. For members of Plan C (bifurcated plan), a two part calculation is required. Part of Plan C benefits are calculated using the Retirement System formula. The remainder of the benefit is calculated using the Pension System formula. A member may retire with reduced benefits after completing 25 years of eligibility service.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Plan benefits (continued)

1. Members of the Employees' Pension Retirement System hired prior to July 1, 2011 (Alternate Contributory Pension Selection (ACPS))

- Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

  a. age 62, & five years of eligibility service
  b. age 63, & four years of eligibility service
  c. age 64, & three years of eligibility service
  d. age 65 or older, & two years of eligibility service

- The annual pension allowance is equal to 1.2% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998, plus 1.8% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.
- The cost of living adjustments for ACPS limits the increase the retiree may receive to a maximum of 3%, compounded annually. The adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.

2. Members of the Employees' Pension System hired on or after July 1, 2011 (Reformed Contributory Pension Benefit (RCPB))

- Eligibility for normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90 or upon attaining at least age 65 and has accrued at least 10 years of eligibility service.
- The annual pension allowance is equal to 1.5% of AFC for the five highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 2011. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service.
- The cost of living adjustments for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate (currently 7.5%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

Various retirement options are available under each System which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's or spouse's attained age and similar actuarial factors.

For all other plans, a two-part adjustment applies. For service earned before July 1, 2011, the COLA rate is capped at 3% and is not tied to investment performance. For service earned on or after July 1, 2011, the same caps apply as for retirees of the Reformed Contributory Pension Benefit.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Plan benefits (continued)

The System has adopted Governmental Accounting Standards Board (GASB) Statement No.67, *Financial Reporting for Pension Plans* and amendment of GASB Statement No. 27.

Actuarial assumptions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: 8 years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000, and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State Systems, 26 years for LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.3% to 9.2% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption change in the 2016 valuation: Inflation assumption changed from 2.90% to 2.70%

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Investments

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Credit Opportunity	9%	4.20%
Rate Sensitive	20%	1.3%
Private Equity	10%	7.40%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Total	100%	

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

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

Contributions required and made

The State Personnel and Pensions Article of the Annotated Code of Maryland require contributions by active members and their employers. Rates for required contributions by active members are established by law. Members of the Employees' Retirement Systems are required to contribute 7% (or 5% depending upon the plan option selected) of earnable compensation. Members of the Employees' Pension Systems are required to contribute 7% of earnable compensation.

The unfunded actuarial liability (UAAL) was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980, and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amoritized over a single closed 25-year period. Employee contributions, which are applied to normal cost, for fiscal year 2016 totaled approximately $764,414,000. The County's contribution to the System for the year ended June 30, 2017 was $2,012,485.

Contribution rates for employer and other "nonemployer" contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The State of Maryland (which is also a non-employer contributor to the Teachers' Retirement and Pension Systems and the Judges' Retirement System), the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund, and more than 150 participating governmental units make all of the employer and other (non-employer) contributions to the System.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that the 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

The following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan'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.

	(Expressed in thousands) 1% Decrease to 6.55%	Current Discount Rate 7.55%	1% Increase to 8.55%
Total System Net Pension Liability	$32,408,443	$23,594,027	$16,259,113

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, Commissioners of St. Mary's County reported liability of $23,903,575 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date. Commissioners of St. Mary's County's portion of the net pension liability was based on Commissioners of St. Mary's County's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2017, Commissioners of St. Mary's County proportion was .101312%.

For the year ended June 30, 2017, Commissioners of St. Mary's County recognized pension expense of $2,744,071 and 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
Changes in assumptions	$ -	$ -
Net difference between projected and actual investment earnings	2,371,066	-
Difference between actual and expected experience	-	261,901
Contributions subsequent to measurement date	2,012,485	-
Total	$ 4,383,551	$ 261,901

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred Inflows of resources related to pensions (continued)

The $2,012,485 reported as deferred outflows of resources related to pensions resulting from Commissioners of St. Mary's County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The $261,901 from the difference between actual and expected experience will be amortized over the service life of all employees, and the difference between projected and actual earnings of $2,371,066 will be amortized over a five year period. The amortization is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Years ending June 30,		
2018	$592,767	$65,475
2019	$592,767	$65,475
2020	$592,766	$65,475
2021	$592,766	$65,476
2022 and thereafter	-	-

Sheriff's office retirement plan

Plan description

The County administers the Sheriff's Office Retirement Plan which is a single employer defined benefit pension plan. The effective date of the plan is July 1, 1986, with amendments effective October 2000, September 2006, June 2007, July 2008 and January 2013. Generally all Sheriff's Office covered employees ("Covered Employee" means any Employee who is classified by the County as the Sheriff, a Deputy Sheriff, a Correctional Officer, or an Inmate Services Coordinator of the Sheriff's Office) hired after June 30, 1986 participated in the plan. Also, each Sheriff's Department covered employee who was employed by St. Mary's County prior to July 1, 1986, and who participated in the Maryland State Retirement System, may elect to participate in the plan.

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan at July 1, 2016 was as follows:

Retirees and beneficiaries currently receiving benefits	91
Terminated plan members entitled to but not yet receiving benefits	51
Active plan members	203
Total	345

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Credited service

Credited service for participants hired prior to July 1, 1986, is equal to the sum of:

a. Service subsequent to June 30, 1986, while a participant of the plan.

b. Military service, not in excess of five years.

c. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Retirement System, reduced by 25% for benefit accrual purposes.

d. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Pension System and/or Maryland Employees' Retirement System which the employee elects to buy back by paying into the plan an amount equal to employee contributions for such service, accumulated with interest. Such service is reduced by 25% for the purpose of calculating benefits if participants elect not to buy back such service.

e. Service not with the Sheriff's Department, but while participating in the Maryland Systems stated above. Such service shall count only in eligibility and not in the benefit determination.

Credited service for participants hired subsequent to June 30, 1986, is equal to:

a. Service while a participant of the plan; plus

b. Military service, not in excess of five years is on an incremental basis, with up to one year of service each time the participant completes four years of eligibility service, and

c. Any approved leave of absence up to 12 months.

In addition, for purposes of calculating the amount of the plan benefit only for a participant eligible for early, normal or late retirement, credit shall be given for unused sick leave as follows: 22 days of unused sick leave shall equal 1 month of credited service.

Final average earnings

"Final Average Earnings" is the average compensation received during three consecutive years of service, out of the ten calendar years prior to termination, which produces the highest average.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Sheriff's office retirement plan (continued)

Normal retirement

Eligibility - A participant's normal retirement date is the earliest of the 62nd birthday or the completion of 25 years of service.

The amount of the annual retirement income shall be equal to the lesser of: (1) 80% of the Participant's average compensation, plus the Participant's unused sick leave, or (2) the sum of:

(i) 2.5% of the Participant's average compensation multiplied by the number of years (and fractional years) of credited service earned by, or credited to, the Participant on and after July 1, 2008, plus

(ii) 2.0% multiplied by all years (and fractional years) of credited service earned by, or credited to, the Participant prior to July 1, 2008.

Early retirement

Eligibility - A participant who retires prior to becoming eligible for normal retirement but on or after completion of 20 years of credited service.

Amount - The amount of the early retirement pension is determined in the same manner as for normal retirement.

A participant may elect to have benefits commence on the Normal Retirement Date or any month following termination. Benefits are reduced 1/2% for each month the benefit commencement date precedes the normal retirement date.

Late retirement

Eligibility - A participant who continues to work past the normal retirement date is eligible for a postponed retirement benefit.

Amount - The amount of the postponed retirement benefit is determined in the same manner as the normal benefit, based on final average earnings and credited service at the time of actual retirement subject to a maximum benefit of 80% of the Participant's average compensation.

Disability benefit

Eligibility - A participant with five years of service who is unable to perform the duties of the position by reason of physical or mental disability, which is expected to be total and permanent, is eligible for a disability benefit commencing in the month following disablement. The benefit will continue until death or recovery.

Amount - The annual benefit is equal to 1.6% of the participant's final average earnings for each year of credited service not in excess of 35 years. For line of duty disability, the annual benefit is equal to the greater of the benefit for ordinary disability or 66 2/3% of average compensation, if the disability qualifies as a catastrophic disability pursuant to the Plan. For a line of duty disability which is non-catastrophic, the annual benefit is equal to the greater of the benefit for ordinary disability or 50% of average compensation.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Pre-retirement death benefit

Lump sum benefit

Eligibility of employment - The participant's beneficiary will be entitled to a lump sum benefit if the participant dies prior to termination.

Amount - 100% of the participant's annual compensation, plus employee contributions accumulated with interest.

Survivor's pension

Eligibility - The spouse or dependent child of a participant who dies prior to termination of employment but after completing five years of credited service may receive a monthly benefit commencing the first of the month following the participant's death. The benefit is payable until death or remarriage (if the beneficiary is the spouse) or as a temporary annuity (if the beneficiary is a child) payable until the child attains age 18 (23 if a full-time student).

Amount - The amount of such benefit will be 50% of the amount determined in the same manner as the disability benefit. The beneficiary may elect to receive the lump sum death benefit in lieu of the survivor's pension.

Deferred vested benefit

Eligibility - A participant who terminates employment and has completed five years of vesting service is eligible to receive a deferred vested benefit beginning at age 62.

Amount - The amount of the participant's deferred vested pension is determined in the same manner as the normal retirement pension based on final average earnings and credited service at the participant's termination of employment. If a terminated vested participant dies prior to commencement of benefits, no benefits other than those provided in the withdrawal benefit, described below, are payable from the plan.

Withdrawal benefit

A participant who terminates employment prior to becoming eligible to receive a benefit under one of the other provisions of the plan will be eligible to receive the return of his accumulated contribution including interest to the first of the month preceding his termination of employment. A vested participant who is not eligible for benefits commencing within one month of termination may elect to withdraw his contributions and credited interest. In this event, the participant forfeits the deferred vested benefit described above.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Form of benefit

Monthly pension benefits will commence on the first of the month coincident with or next following the retirement date of the participant and continue until the first of the month in which the retired participant dies, unless an optional method of payment has been elected. If the participant dies before receiving benefits equal to the value of his accumulated employee contributions, the remainder will be paid to his beneficiary.

Optional Benefit - A participant may elect to receive a reduced benefit in lieu of the benefits to which he would otherwise be entitled, in an amount of actuarially equivalent value, as follows:

a. Joint and Survivor - a reduced pension during the lifetime of the pensioner, starting at his actual retirement date and continuing to the pensioner's spouse at an amount which may be the same as the reduced amount payable to the participant or one-half of the reduced amount paid to the participant.

b. Other - A participant may elect a pension payable in accordance with any other option approved by the Board of Trustees (except an "interest only" option) which is the actuarial equivalent of the normal retirement pension to which the participant was entitled at normal retirement date.

The Commissioners assign the authority to establish and amend the benefit provisions of the plan.

Net pension liability of the county

The components of the net pension liability of the Sheriff's plan at June 30, 2017, were as follows:

Total pension liability	$ 120,455,255
Plan fiduciary net position	(78,267,218)
County's net pension liability	$ 42,188,037
Plan fiduciary net position as a percentage of the total pension liability	64.98%

Actuarial assumptions

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

Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including Inflation
Mortality	RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Sheriff's office retirement plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sheriff's Plan net pension liability	$60,799,425	$42,188,037	$27,205,123

Asset allocation

The long-term nominal 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:

Asset Class	Allocation
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	5.2%
Total	100%

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, the Sheriff's office retirement plan reported a net pension liability of $42,188,037. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2017.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred Inflows of resources related to pensions (continued)

For the year ended June 30, 2017, the Sheriff's office retirement plan recognized pension expense of $8,475,197 and 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
Changes in assumptions	$ 3,090,166	$ -
Net difference between projected and actual earnings on pension plan investments	4,032,175	-
Net difference between actual and expected experience	536,385	-
Contributions subsequent to measurement date	-	-
Total	$ 7,658,726	$ -

The $3,090,166 from the change in assumptions will be amortized over the service life of all employees, and the $4,032,175 from the difference between projected and actual earnings on pension plan investments will be amortized over a five year period as follows:

Years ending June 30,	
2018	$2,645,550
2019	$2,645,551
2020	$1,586,242
2021	$ 228,773
2022	$ 276,306
2023 and thereafter	$ 276,304

Discount rate

The current discount rate on the Sheriff's Office plan is 7.25%.

Development of plan costs

Derivation of Normal Cost - The plan's normal cost is the sum of the individual normal costs determined for each participant, assuming the plan had always been in existence and the actuarial assumptions underlying the cost determination are exactly realized. Benefits payable under every circumstance (retirement, death, disability and termination) are included in the calculations. An allowance is also added for expenses.

The actuarial accrued liability is the sum of all normal costs which would have accumulated, if the assumed normal cost had always been contributed in the past and the actuarial assumptions had been exactly realized. The unfunded actuarial accrued liability is the actuarial accrued liability less the fund's assets at the valuation date.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Recommended contribution level

Participants are required to make mandatory contributions to the plan equal to 8% of base earnings. Employee contributions are credited with interest at the rate of 4% per annum. The County pays the entire remaining cost of the plan.

The county is required to contribute at an actuarially determined rate, currently 37.8% of covered payroll. Contribution requirements of plan members and the county are established and may be amended by the Commissioners. The amount of the Sheriff's Department's current year covered payroll is $15,794,931 and the Sheriff's Department's total payroll for all employees is $19,280,814. The following employer contributions were made during the fiscal year ended June 30, 2017:

	Contributions	% of Covered Payroll
Actuarially determined	$ 5,148,862	37.8%

Volunteer fire departments, rescue squads and advanced life support unit

Plan description

A length of service program for qualified active volunteer members of the St. Mary's County Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit was established effective July 1, 1980. An "active member" is defined as a person who accumulated a minimum of fifty (50) points per calendar year in accordance with a point system. This program is funded and administered by the Commissioners of St. Mary's County.

Eligibility and benefits

a. Any person who has served as a member of any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit is eligible to receive benefits provided that:

   1) The person is certified in accordance with the point system to have served as an active volunteer subsequent to December 31, 1979.

   2) Any person who discontinued active volunteer service prior to July 1, 1980, may receive credit for the service after being certified in accordance with the point system.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Eligibility and benefits (continued)

b. Beginning July 1, 1994, active volunteer fire and rescue squads and advanced life support unit personnel may select from two Length of Service program benefit options. Selection of a benefit option by the individual is irrevocable. The options, with rates reflected effective July 1, 2006, are:

1) Any person who has reached the age of sixty (60) and who has completed a minimum of twenty (20) years of certified active volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit, or combination thereof, shall receive two hundred dollars ($200) per month, for life. Payments will begin in the month following eligibility.

   An additional payment of eight dollars ($8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty dollars ($150) per month for life.

   An additional payment of eight dollars ($8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

c. In the event that any active volunteer becomes disabled during the course of his or her service while actively engaged in providing such services and in the event that the disability prevents the volunteer from pursuing his or her normal occupation and in the event that the disability is of a permanent nature as certified by the Maryland Workmen's Compensation Commission or other competent medical authority as designated by the Commissioners of St. Mary's County, then the volunteer is entitled to receive the minimum benefits prescribed above and any such benefits as he or she may be entitled to regardless of his or her age or length of service. These benefits will begin on the first day of the month following the establishment of the permanency of his or her disability.

d. In the event that any qualified volunteer shall die while receiving benefits, then his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's benefits. These benefits terminate upon death or remarriage of the spouse.

e. In the event that a qualified volunteer dies prior to receiving any benefits under this section, his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's earned benefits. These benefits terminate upon death or remarriage of the spouse.

f. In the event that an active volunteer dies in the line of duty, a burial benefit up to two thousand five hundred dollars ($2,500) is payable.

g. In the event that any active volunteer (herein defined as one who has at least two (2) years of qualifying service in the five (5) preceding years) attains the age of seventy (70) years and fails to achieve the required twenty (20) years of service, then the volunteer is entitled to a monthly benefit of the number of years of credited service completed, multiplied by eight dollars ($8).

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Point system

In order to qualify for benefits, points are credited to each volunteer as follows:

1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.

2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.

3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.

4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.

5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of St. Mary's County, provided that not more than one (1) office shall be counted in any calendar year.

6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.

7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by the County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2017 was $931,529.

8. Retirement plans (continued)

COMPONENT UNITS

The component units are covered under the same State retirement plan as the County.

St. Mary's County Public Schools

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made required contributions totaling $5,879,367 or 4.67% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling $13,102,614 or 10.40% of current covered payroll for fiscal year 2016. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

At June 30, 2017, the School System reported a liability $13,229,614 or .056% of the total liability of $23,594,027,003.

St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2017, the Library's total payroll and payroll for covered employees were $2,327,611 and $2,081,447, respectively. No contributions were made by the Library for the year ended June 30, 2017.

For fiscal year 2017, the State contributed $355,134 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 17.06% of covered payroll.

St. Mary's Metropolitan Commission

Retirement and pension plan

MetCom's contribution to the System was $456,447 for year ended June 30, 2017.

At June 30, 2017, MetCom reported a liability of $5,077,598 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2017, MetCom's proportion was .02152%

Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

9. Interfund balances

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2017:

	Interfund Receivables	Interfund Payables
PRIMARY GOVERNMENT		
General fund		
Fire & Rescue Revolving Loan Fund	$ -	$ 369,741
Emergency Services Support Fund	-	945,165
Debt Service Fund	-	397,057
Capital Projects Fund	-	27,000,485
Enterprise Fund	-	1,299,604
Special Revenue Funds		
General Fund	1,314,906	-
Debt Service Fund		
General Fund	397,057	-
Capital Projects Fund		
General Fund	27,000,485	-
Enterprise Funds		
General Fund	1,299,604	-
Total due from/to other funds	$ 30,012,052	$ 30,012,052
COMPONENT UNITS		
St. Mary's County Building Authority Commission	$ 190,054	$ -
Primary Government-General Fund	-	190,054
Total due to Primary Government from Component Unit	$ 190,054	$ 190,054

10. Commitments and contingencies

PRIMARY GOVERNMENT

There are several pending lawsuits in which the County is involved. The County attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation 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 Departments of Education, Health and Human Services and Health and Mental Hygiene grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended June 30, 2017 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be verified in connection with performing the County's Single Audit. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

COMPONENT UNITS

St. Mary's County Public Schools

Legal proceedings

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

School construction

As of June 30, 2017, the School System had entered into various school construction commitments which are not reflected in the Statement of Net Position or Balance Sheet – Governmental Funds, since they will be funded by the State of Maryland or County bond issues, totaling approximately $3,609,442.

Grant program

The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Health insurance

The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2017, management anticipates a refund in the amount of $1,074,673.

10. Commitments and contingencies (continued)

COMPONENT UNITS (continued)

St. Mary's County Library

Grant audit

The Library receives federal funds, which are passed through the State of Maryland to the Library for specific purposes. The grants are subject to review and audit by the Maryland State Department of Education. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the granting agency. In the opinion of the Library's management, such disallowances, if any, will not be significant.

Support

The Library receives a substantial amount of its support from intergovernmental sources. A significant reduction in the level of this support, were this to occur, might have an effect on the Library's programs and activities.

11. Other post-employment benefits

PRIMARY GOVERNMENT

Plan description

The County provides health, prescription and vision care insurance benefits to eligible retirees and their eligible dependents and life insurance for retirees only. Eligible persons include employees, former employees, or beneficiaries who are receiving pensions, and meet the eligibility requirements of the Maryland State Retirement and Pension System (General Employees) and the St. Mary's County Sheriff's Department Retirement Plan (Sheriff Employees). The County pays a percentage of premiums based on years of service. For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by the Board of County Commissioners.

The OPEB Plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County, Maryland as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool, the Maryland Association of Counties (MACo) OPEB Trust, and limited partnerships. The Trust does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or of another entity.

At June 30, membership consisted of:

	2017	2016	2015
Retirees and their Beneficiaries Currently Receiving Benefits	434	418	391
Active Employees	656	668	655
Total	1,090	1,086	1,046

11. Other post-employment benefits (continued)

PRIMARY GOVERNMENT (continued)

Plan description (continued)

The Trustees determine how much is contributed to the OPEB Trust as part of the budget process. The County's annual other post-employment 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 the GASB Codification. 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 of thirty years. The County contributed the pay-go amount of $3,009,007 to the trust in FY 2017, rather than the ARC. The Net OPEB Obligation is overpaid by $18,010,760 as of June 30, 2017.

Investments

The County's investment authority is established in the Investment Policy for the Retiree Benefit Trust of St. Mary's County, Maryland. The assets allocation of the Trust, per the policy is as follows:

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Large Cap Equities	12%	22%	32%
Domestic Small/Mid Cap Equities	5%	9%	14%
Real Estate Equities	4%	8%	12%
International Equities	7%	10%	13%
Emerging Market Equities	0%	5%	7%
Domestic Fixed Income	16%	22%	36%
TIPS	0%	5%	7%
High Yield Fixed Income	0%	5%	7%
Real Estate Alternatives	0%	6%	6%
Private Equity	0%	12%	12%
Cash Equivalents	0%	0%	10%

As of June 30, 2017, 20% of the Trust assets are in real estate alternatives.

For the year ended June 30, 2017, the annual money-weighted rate of return of the MACo OPEB trust investments, net of the MACo OPEB trust expense was 6.08%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability

The components of the net OPEB liability of the County at June 30, 2017 were;

Total OPEB liability	$96,646,688
Plan fiduciary net position	(70,346,467)
Net OPEB liability	$ 26,300,221
Plan fiduciary net position as a percentage of the total OPEB liability	72.79%

11. Other post-employment benefits (continued)

PRIMARY GOVERNMENT (continued)

Net OPEB liability (continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015 with data rolled forward to June 30, 2017. In the October 29, 2014 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method for GASB 45, and the Entry Age Normal (EAN) cost method as required by GASB74. The actuarial assumptions included a 6% annual rate of return. The medical cost trend varied between 8% and 5% using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The rates include a 3.5% payroll increase rate.

The following table presents the County's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$81,892,007	$96,646,688	$115,615,546
Net OPEB Liability/(Asset)	$11,545,540	$26,300,221	$45,269,079

The long-term nominal expected rate of return on OPEB plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. Spread and the risk free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts. The arithmetic real rates of return for the MACo OPEB Trust as of June 30, 2017 was 6.68%.

The discount rate used to measure the total OPEB liability was 6.96%. The projection of cash flows used to determine this discount rate assumed that the County's contributions will be made at rates equal to the pay-go amount and not the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be unavailable to make all projected future benefit payments of current plan members after 2084. Therefore, a blended discount rate was determined based on the fully funded rate of 7.08% when assets are available prior to 2084, and the unfunded rate of 3.58% for 2084 and beyond. The blended rate of 6.96% was determined based on this method

The following table presents the County's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher, than the 6.96% discount rate.

	1% Decrease	Discount Rate	1% Increase
	5.96%	6.96%	7.96%
Total OPEB Liability	$113,424,142	$96,646,688	$83,367,650
Net OPEB Liability/(Asset)	$43,077,675	$26,300,221	$13,021,183

Annual OPEB costs and net OPEB obligation

The County's annual other post-employment benefit (OPEB) cost 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 of thirty years. The net OPEB obligation (NOPEBO) was calculated as follows:

11. Other post-employment benefits (continued)

PRIMARY GOVERNMENT (continued)

Annual OPEB costs and net OPEB obligation (continued)

	2017	2016	2015
Annual Required Contribution	$ 5,217,000	$ 5,021,000	$ 6,097,000
Interest on Net OPEB	(1,360,000)	(1,360,000)	(1,255,000)
Adjustment to ARC	1,437,000	1,387,000	1,237,000
Annual OPEB Cost	5,294,000	5,048,000	6,079,000
Contributions Made to the Trust	-	-	4,797,918
Payments to Retirees	3,009,007	2,685,268	2,281,082
Net OPEB Obligation (Prepaid), Beginning of Year	(20,295,753)	(22,658,485)	(21,658,485)
Net OPEB Obligation (Prepaid), End of Year	$ (18,010,760)	$ (20,295,753)	$ (22,658,485)
The funded status of the plan was as follows:			
Actuarial Accrued Liability (AAL)	$ 101,369,000	$ 95,612,000	$ 98,927,000
Actuarial Value of Plan Assets	69,456,000	63,635,000	49,035,000
Unfunded Actuarial Accrued Liability	$ 31,913,000	$ 31,977,000	$ 49,892,000
Funded Ratio (Value of Plan Assets/AAL)	68.52%	66.56%	49.57%
Covered Payroll (Active Plan Members)	$ 39,755,794	$ 35,433,314	$ 37,522,510
UAAL as a percentage of covered payroll	80.27%	90.25%	132.97%

Funding progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation (report issued October 29, 2014), the liabilities were computed using the project unit credit method, with linear proration to assumed benefit commencement. The actuarial assumptions included a 6.0% annual rate of return, 3.5% annual salary increases and an initial annual healthcare cost trend rate of 8.0%, decreasing gradually to an ultimate rate of 5.0 %. The UAAL is being amortized as a level percentage of projected payroll over 30 years with 22 years remaining.

11. Other post-employment benefits (continued)

COMPONENT UNITS
St. Mary's County Library

For the year ended June 30, 2017, the cost of post-employment benefits was $62,970.

Plan description

The Library provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible Library service entering an immediate retirement, family members of retirees and family members of deceased employees. The Library pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to July 1, 2010, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by The Library Board of Trustees.

Membership

At June 30, membership consisted of:

	2017	2016	2015
Retirees and Beneficiaries Currently Receiving Benefits	8	11	9
Active Employees	22	21	20
Total	30	32	29

Funding policy

During FY2008, the Library established a trust fund, the Retiree Health Benefit Trust of St. Mary's County Library, to fund certain retiree health benefits. The Library's funding policy is to contribute at least the funded expenses. The Net OPEB Obligation is overpaid by $146,702 as of June 30, 2017.

Annual OPEB costs and net OPEB obligation

The Library's annual other post-employment benefit (OPEB) cost 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 of thirty years. The net OPEB obligation (NOPEBO) was calculated as follows:

	2017	2016	2015
Annual Required Contribution	$ 98,000	$ 94,000	$ 112,000
Interest on Net OPEB	(14,000)	(14,000)	(8,000)
Adjustment to ARC	15,000	14,000	8,000
Annual OPEB Cost	99,000	94,000	112,000
Contributions Made	(62,970)	(44,768)	(91,361)
Net OPEB Obligation, Beginning of Year	(182,732)	(231,964)	(252,603)
Net OPEB Obligation, End of Year	$ (146,702)	$ (182,732)	$ (231,964)

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Library (continued)

Annual OPEB costs and net OPEB obligation (continued)

	2017	2016	2015
The funded status of the plan was as follows:			
Actuarial Accrued Liability (AAL)	$ 1,621,000	$ 1,540,000	$ 1,712,000
Actuarial Value of Plan Assets	882,000	800,000	646,000
Unfunded Actuarial Accrued Liability	$ 739,000	$ 740,000	$ 1,066,000
Funded Ratio (Value of Plan Assets/AAL)	54.41%	51.95%	37.73%
Covered Payroll (Active Plan Members)	$ 2,081,447	$ 1,806,916	$ 1,951,389
UAAL as a percentage of covered payroll	35.50%	40.95%	54.63%

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 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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the liabilities were computed using the projected unit credit method, with linear proration to assumed benefit commencement. The actuarial assumptions included a 6% annual rate of return and 3.5% annual payroll increase. The initial annual healthcare cost trend rate was 6.5%, decreasing gradually each year to a rate of 4.20% in 2099. The UAAL is being amortized as a level percentage of projected payroll over a closed 21 year period for the year ended June 30, 2017.

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 and healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions 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 as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits. The actuarial value of assets was based on the estimated July 1, 2016 asset figure of $882,000.

St. Mary's Metropolitan Commission

To fund the retiree health benefits, MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission.

Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Plan description (continued)

retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007, range from 21.25% with 15 years of service to 85% with 30 years of service.

There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

MetCom's OPEB Plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool, and the Maryland Association of Counties (MACo) OPEB Trust. The Trust does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or of another entity.

At June 30, membership consisted of:

	2017	2016	2015
Retirees and their Beneficiaries Currently Receiving Benefits	10	10	10
Active Employees	71	71	67
Total	81	81	77

MetCom's Board determines how much is contributed to the OPEB Trust as part of the budget process. It is MetCom's intention to fully fund the OPEB cost each year. The FY 2017 Operating Budget included fully funding the OPEB cost. MetCom's annual other post-employment 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 the GASB Codification. 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 of thirty years. MetCom contributed $526,000 to the trust in FY 2017. The net OPEB obligation is overpaid by $300,388 as of June 30, 2017.

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. Assets are allocated 85% in the MACo OPEB Trust as of June 30, 2017 and 2016.

For the year ended June 30, 2017, the annual money-weighted rate of return of the MACo OPEB trust investments, net of the MACo OPEB trust expense was 6.08%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Net OPEB liability

The components of the net OPEB liability of MetCom at June 30, 2017 were;

Total OPEB liability	$ 8,367,000
Plan fiduciary net position	(4,833,876)
Net OPEB liability	$ 3,533,124
Plan fiduciary net position as a percentage of the total OPEB liability	57.77%

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 with data rolled forward to June 30, 2017. In the November 13, 2014 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method for GASB 45, and the Entry Age Normal (EAN) cost method as required by GASB 74. The EAN actuarial cost method requires a salary scale assumption; we used the State of Maryland salary scale assumption for general employees. The actuarial assumptions included a 7% annual rate of return. The medical cost trend varied between 6.5% and 4.2% using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The rates include a 2.5% rate of inflation assumption.

The following table presents the Commission's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$6,954,000	$8,367,000	$10,199,000
Net OPEB Liability/(Asset)	$2,106,043	$3,533,124	$5,351,043

The long-term nominal expected rate of return on OPEB plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. Spread and the risk free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts. The arithmetic real rates of return for the MACo OPEB Trust as of June 30, 2017 was 6.68%.

The discount rate used to measure the total OPEB liability was 6.68%. The projection of cash flows used to determine this discount rate assumed that MetCom contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the Commission's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher, than the 6.68% discount rate.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Net OPEB liability (continued)

	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Total OPEB Liability	$9,883,000	$8,367,000	$7,158,000
Net OPEB Liability/(Asset)	$5,035,043	$3,533,124	$2,310,043

Annual OPEB costs and net OPEB obligation

The following table shows the components of MetCom's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in MetCom's net OPEB obligation:

	2017	2016	2015
Annual Required Contribution	$ 526,000	$ 508,000	$ 574,000
Interest on Net OPEB	(21,000)	(21,000)	(20,000)
Adjustment to ARC	21,000	20,000	19,000
Annual OPEB Cost	526,000	507,000	573,000
Contributions Made	526,000	507,000	573,000
Net OPEB Obligation, Beginning of Year	(300,388)	(300,388)	(300,388)
Net OPEB Obligation, End of Year	$ (300,388)	$ (300,388)	$ (300,388)

The funded status of the plan was as follows:

	2017	2016	2015
Actuarial Accrued Liability (AAL)	$ 7,386,000	$ 6,763,000	$ 7,238,000
Actuarial Value of Plan Assets	4,524,000	3,908,000	3,575,000
Unfunded Actuarial Accrued Liability	$ 2,862,000	$ 2,855,000	$ 3,663,000
Funded Ratio (Value of Plan Assets/AAL)	61.25%	57.79%	49.39%
Covered Payroll (Active Plan Members)	$ 5,194,244	$ 5,195,578	$ 4,911,310
UAAL as a percentage of covered payroll	55.10%	54.95%	74.58%

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools

Plan description

In addition to providing the pension benefits described previously, the School System provides post-employment health care and life insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for 10 or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

In March 2009, the School System established the Retiree Benefit Trust of the Board of Education of St. Mary's County (Benefit Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). The School System reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided there under, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the Investment Trust is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the Investment Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

Membership of the OPEB Plan currently enrolled in medical /drug coverage consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Number of participants	
Active employees	1,621
Retirees – pre-medicare	236
Retirees – post-medicare	739
	2,596

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Plan description (continued)

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 18.17% of annual covered payroll. The ARC consisted of the normal cost of $11,002,000 and the amortization of unfunded accrued liability of $11,889,000. The School System contributed $6,630,000 for the year ended June 30, 2017, entirely consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with no additional contributions in the current year to prefund future benefits to the retirement benefit trust fund.

Investments

Investment policy: The school System's policy in regard to the allocation of invested assets is established and may be amended by the School System board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The School System's target asset allocation policy was 100% in the MABE Trust as of June 30, 2017.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.29 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

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

Total OPEB liability	$ 352,847,000
Plan fiduciary net position	(41,396,912)
Net OPEB liability	$ 311,450,088
Plan fiduciary net position as a percentage of the total OPEB liability	11.73%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions below, applied to all periods included in the measurement, unless otherwise specified.

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.40%
Salary increases	2.00 to 6.50%
Investment rate of return	4.00%
Discount rate	3.58%
Healthcare cost trend rate	5.40% initially reduced annually to an ultimate rate of 3.90% attained in 2077
Mortality RP 2014 fully generational	

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of a study for the period July 1, 2013 to December 31, 2016.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Net OPEB Liability (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return) expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2017 was 3.58%.

Discount rate. The discount rate used to measure the total OPEB liability was 3.58 percent. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.
The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	$390,791,088	$311,450,088	$250,731,088

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.
The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower (2.90%) or 1-percentage-point higher (4.90%) than the current healthcare cost trend rate:

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$247,895,088	$311,450,088	$397,586,088

Annual OPEB Cost and Net OPEB Obligation: The School System had an actuarial valuation performed as of July 1, 2016, to determine the funded status of the plan as of that date as well as the School System's ARC for the fiscal year ended June 30, 2017. The annual OPEB cost (expense) for the year ended June 30, 2017, was $22,393,000, which was comprised of the ARC of $22,891,000 discussed above, less net interest on the net OPEB obligation. A historical trend of the School System's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 13,550,000	60.48%	$ 40,997,310
2016	16,413,000	37.22%	51,302,049
2017	22,393,000	29.61%	67,065,049

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Funded Status and Funding Progress

As of July 1, 2016, the plan was 13.46% funded. The actuarially accrued liability for benefits was $276,400,000, and the actuarial value of assets was $37,196,206, resulting in an unfunded actuarial accrued liability (UAAL) of $239,203,794. The covered payroll (annual payroll of active employees covered by the plan) was $125,980,783 and the ratio of UAAL to the covered payroll was 189.87%. 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the School System 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 as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used, include (a) a rate of return on the investment of 4.00% per year compounded annually, (b) projected salary increases of 3.50% compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 2.00% to 6.50% per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 5.40% initially, reduced annually to arrive at an ultimate healthcare cost trend of 3.90%, (e) rates of mortality based upon RP 2014 Combined Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 1.00% to 18.00%, disablement rates based on age, ranging from 0.03% to 0.46%, (h) retirement rates based on age, sex, and length of service, ranging from 1.00% to 33.00%, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2013 through December 31, 2016, and were projected with annual increases of 5.00% for medical claims and 5.00% for prescription drug claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 22 years for the year ended June 30, 2017.

12. Landfill closure and postclosure cost

State and federal laws and regulations require the Commissioners of St. Mary's County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commissioners of St. Mary's County report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $4,039,000 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported to date. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

12. Landfill closure and postclosure cost (continued)

Estimated closure and postclosure costs were taken from a 1990 Cost Analysis, for cell numbers three and five, and from current contract commitments for closure for cell numbers one, two and four. A 3% inflation factor was assumed. Postclosure costs are budgeted and paid annually.

13. Risk management

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 related disasters. The County is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessment. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members.

Annual premiums are assessed for the various policy coverages. During fiscal year 2017 the County paid premiums of $561,624 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

14. Self-insurance (Worker's Compensation)

The County self-insures its worker's compensation costs and liabilities. The County establishes funding of claim liabilities as they occur. This funding level includes provisions for legal, medical and lost wages expenses which are all classified as incremental claim adjustment expenses. Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2017. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2017.

15. New accounting principles

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018. The County has begun analyzing the effects of this pronouncement which is expected to have a material effect on the County's financial statements. The County expects implementation of GASB Statement No. 75, to reduce the beginning net position by approximately $23.6 million in fiscal year 2018.

16. Subsequent events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 10, 2017, the date the financial statements were available to be issued.

On October 24, 2017, the County issued $15,475,000 in Refunding Consolidated Public Improvement Build America Bonds, Series 2009B. Moody's Rating was increased from AA2 to AA1 during October 2017 Bond Rating Review.

REQUIRED SUPPLEMENTARY INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES
AND OTHER FINANCING SOURCES AND USES
BUDGET (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 106,810,985	$ 106,810,985	$ 107,137,471	$ 326,486
Income taxes	89,028,917	89,028,917	88,167,869	(861,048)
Energy taxes	1,300,000	1,300,000	973,359	(326,641)
Recordation taxes	5,100,000	5,100,000	5,656,026	556,026
Other Local taxes	1,180,000	1,180,000	1,602,487	422,487
Highway user revenues	821,775	821,775	900,948	79,173
Licenses and permits	1,570,350	1,570,350	1,654,929	84,579
State/federal grants	12,325,194	11,851,927	9,837,258	(2,014,669)
Charges for services	2,848,602	3,196,401	3,832,461	636,060
Fines and forfeitures	42,000	42,000	26,481	(15,519)
Investment and other revenues	139,200	143,181	410,799	267,618
Sub-total	221,167,023	221,045,536	220,200,088	(845,448)
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND REVENUES	221,167,023	221,045,536	220,200,088	(845,448)
EXPENDITURES				
General government	24,769,601	24,161,693	22,352,141	1,809,552
Public safety	43,286,759	43,608,948	41,523,708	2,085,240
Public works	9,524,239	9,603,109	8,856,766	746,343
Health	7,263,198	7,069,489	7,048,799	20,690
Social services	4,245,744	4,127,881	4,052,348	75,533
Primary and secondary education	104,732,856	104,732,856	104,704,831	28,025
Post-secondary education	4,267,365	4,267,365	4,267,365	-
Parks, recreation and culture	4,017,578	3,890,338	3,848,472	41,866
Libraries	2,684,573	2,684,573	2,684,574	(1)
Conservation of natural resources	507,184	523,337	509,074	14,263
Economic development and opportunity	4,007,555	4,030,755	2,428,419	1,602,336
Debt service	10,654,319	10,028,820	10,012,559	16,261
Inter-governmental	43,943	43,943	43,943	-
Other	3,065,000	3,065,000	3,075,214	(10,214)
Sub-total	223,069,914	221,838,107	215,408,213	6,429,894
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND EXPENDITURES	223,069,914	221,838,107	215,408,213	6,429,894
OTHER FINANCING SOURCES AND USES				
Fund balance	-	432,830	-	(432,830)
Reserves - grants (expenditures)	(1,000,000)	(1,121,487)	-	1,121,487
Reserves - grants (revenues)	1,000,000	1,121,487	-	(1,121,487)
Reserves - emergency appropriations	(670,101)	(2,213,251)	-	2,213,251
Reserves - bond rating	(400,000)	(400,000)	-	400,000
General fund transfer/pay-go - capital projects	2,972,992	2,972,992	2,972,992	-
TOTAL OTHER FINANCING SOURCES AND USES	1,902,891	792,571	2,972,992	2,180,421
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ -	$ -	$ 7,764,867	$ 7,764,867

See Independent Auditor's Report.

COMMISSIONERS OF ST. MARY'S COUNTY
NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES,
ENCUMBRANCES AND OTHER FINANCING SOURCES AND USES
BUDGET (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

A reconciliation of the revenues and expenditures of the general fund

	Net Change in Fund Balance	End of Year Fund Balance
Budgetary basis – general fund	$ 7,764,867	$ 48,660,989
Minor revolving funds and general financing that relate to activities resulting from fees, fines, and other revenue sources that are not an element of the budget basis reporting	760,425	1,000,108
Beginning of year encumbrances, rolled into FY2017	(481,380)	-
Appropriation from prior year rolled to FY2017 in order to cover the encumbrances. This is reflected in the revised budget appropriations for FY2017	481,380	481,380
Budgeted use of fund balance	-	-
Increase in bond rating reserve	-	-
Restricted cash & investments:		
FY2017	-	-
FY2016	(1,461,058)	(1,461,058)
End of year encumbrances included in budget basis expenditures, not included for GAAP	1,149,787	1,149,787
GAAP basis	$ 8,214,021	$ 49,831,206

COMMISSIONERS OF ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLANS
FOR THE YEAR ENDED JUNE 30, 2017

Maryland State Retirement and Pension Plan

Schedule of net pension liability and related ratios

Date	Proportion of Collective NPL (a)	Proportionate Share of Collective NPL (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Collective)
06/30/15	0.0937813%	$ 16,643,117	$ 20,945,112	79.46%	71.87%
06/30/16	0.1046456%	$ 21,747,150	$ 22,117,812	98.32%	68.78%
06/30/17	0.1013120%	$ 23,903,575	$ 23,960,863	99.76%	65.79%

Schedule of contributions and related ratios

Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/15	$ 2,205,647	$ 2,205,647	$ -	$ 20,945,112	10.53%
06/30/16	$ 1,973,642	$ 1,973,642	$ -	$ 22,117,812	8.92%
06/30/17	$ 2,012,485	$ 2,012,485	$ -	$ 23,960,863	8.40%

The County implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for prior years is not available.

Maryland State Retirement and Pension Plan (continued)

Changes in benefit terms

There were no benefit changes during the year.

Changes in assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2016 valuation:

- Inflation assumption changed from 2.90% to 2.70%

Method and assumptions used in calculations of actuarially determined contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: 8 years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000, and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State Systems, 26 years for LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.Asset Valuation Method 5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% including inflation
Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

COMMISSIONERS OF ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLANS
FOR THE YEAR ENDED JUNE 30, 2017

Sheriff's Office Retirement Plan

Changes in the county's net pension liability and related ratios
Last 10 fiscal years (dollar amounts in thousands)

	2017	2016	2015
Total pension liability:			
Service cost	$ 3,979	$ 3,826	$ 3,687
Interest	7,867	7,317	6,564
Changes of benefit terms	-	-	-
Differences between expected and actual experience	626	-	-
Changes of assumptions	1,308	-	3,445
Benefit payments, including refunds of member contributions	(3,672)	(3,436)	(3,193)
Net change in total pension liability	10,108	7,707	10,503
Total pension liability – beginning	110,347	102,640	92,137
Total pension liability – ending (a)	$ 120,455	$ 110,347	$ 102,640
Plan fiduciary net position			
Contributions – employer	$ 5,149	$ 4,816	$ 5,197
Contributions – member	1,085	1,011	945
Net investment income	7,724	(1,803)	(465)
Benefit payments, including refunds of member contributions	(3,672)	(3,436)	(3,193)
Administrative expense	(93)	(122)	(79)
Other	-	-	-
Net change in plan fiduciary net position	10,193	466	2,405
Plan fiduciary net position – beginning	68,075	67,609	65,204
Plan fiduciary net position – ending (b)	$ 78,268	$ 68,075	$ 67,609
County's Net Pension Liability – ending (a) – (b)	$ 42,187	$ 42,272	$ 35,031
Plan fiduciary net position as a percentage of the total pension liability	64.98%	61.69%	65.87%
Covered employee payroll	13,981	12,740	12,774
County's net pension liability as a percentage of covered employee payroll	301.75%	331.81%	274.24%
Expected average remaining service years of all participants	7	7	7

Notes to Schedule:
Information for FY2013 and earlier is not available.
Benefit changes: None.
Changes of assumptions: None.

Sheriff's Office Retirement Plan (continued)

Schedule of county contributions
Last 10 fiscal years (Dollar amounts in thousands)

	2017	2016	2015
Actuarially determined contribution	$ 5,149	$ 4,816	$ 5,197
Contributions in relation to the actuarially determined contribution	5,149	4,816	5,197
Contribution deficiency (excess)	-	-	-
Covered employee payroll	$ 13,981	$ 12,740	$ 12,774
Contributions as a percentage of covered employee payroll	36.83%	37.80%	40.68%

Notes to schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll over all years of service
Remaining amortization period	21 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent compounded annually
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with Blue Collar adjustment with generational projection by Scale AA

Schedules of employer contributions and funding progress for the retiree benefit trust are presented below:

Primary government

Schedule of employer contributions

Fiscal Year Ended	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
06/30/08	$ 4,617,000	$ 14,788,623	320%	$ (10,171,623)
06/30/09	$ 4,762,000	$ 10,762,000	226%	$ (16,171,623)
06/30/10	$ 4,888,000	$ 4,888,000	100%	$ (16,171,623)
06/30/11	$ 5,145,000	$ 5,145,000	100%	$ (16,171,623)
06/30/12	$ 5,400,000	$ 7,076,862	131%	$ (17,848,485)
06/30/13	$ 5,669,000	$ 8,479,000	150%	$ (20,658,485)
06/30/14	$ 5,872,000	$ 6,872,000	117%	$ (21,658,485)
06/30/15	$ 6,079,000	$ 7,079,000	116%	$ (22,658,485)
06/30/16	$ 5,048,000	$ 2,685,268	53%	$ (20,295,753)
06/30/17	$ 5,294,000	$ 3,009,007	57%	$ (18,010,760)

Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/30/08	$ 10,000,000	$ 60,135,000	$ 50,135,000	16.6%	$ 34,115,335	147.0%
06/30/09	$ 13,458,000	$ 64,561,000	$ 51,103,000	20.8%	$ 35,716,358	143.1%
06/30/10	$ 24,400,000	$ 73,285,000	$ 48,885,000	33.3%	$ 35,562,940	137.5%
06/30/11	$ 28,799,000	$ 78,251,000	$ 49,452,000	36.8%	$ 35,556,564	139.1%
06/30/12	$ 31,418,000	$ 79,275,000	$ 47,857,000	39.6%	$ 35,208,044	135.9%
06/30/13	$ 36,614,000	$ 84,788,000	$ 48,174,000	43.2%	$ 35,221,122	136.8%
06/30/14	$ 42,404,000	$ 93,108,000	$ 50,704,000	45.5%	$ 36,772,533	137.9%
06/30/15	$ 49,035,000	$ 98,927,000	$ 49,892,000	49.6%	$ 37,522,510	133.0%
06/30/16	$ 63,635,000	$ 95,612,000	$ 31,977,000	66.6%	$ 35,433,314	90.2%
06/30/17	$ 69,456,000	$ 101,369,000	$ 31,913,000	68.5%	$ 39,755,794	80.3%

		2017
Total OPEB liability		
Service Cost	$	2,120,630
Interest Cost		6,255,588
Changes in Benefit Terms		-
Differences Between Expected and Actual Experience		50,557
Changes of Assumptions		(1,199,833)
Benefit Payments		(3,009,007)
Net Change in Total OPEB Liability		4,217,935
Total OPEB liability - Beginning of Year		92,428,753
Total OPEB Liability - End of Year	$	96,646,688

Plan Fiduciary Net Position
Last 10 Fiscal Years

		2017
Contributions - Employer	$	3,009,007
Net Investment Income		5,355,287
Benefit Payments		(3,009,007)
Administrative Expense		(50,659)
Net Change in Fiduciary Net Position		5,304,628
Fiduciary Net Position - Beginning of Year		65,041,839
Fiduciary Net Position - End of Year		70,346,467
Net OPEB Liability		26,300,221
Fiduciary Net Position as a % of Total OPEB Liability		72.79%
Covered-Employee Payroll	$	39,755,794
Net OPEB Liability as a % of Payroll		41.14%
Expected Average Remaining Service Years of All Participants		7

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: Retirement, termination, and disability assumptions were updated to the most recent tables by the State of Maryland Pension Plan.

Discount rate:

06/30/17 6.96%

Schedule of Contributions and Related Ratios

Date	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/08	$ 4,617,000	$ 14,788,623	$ (10,171,623)	$ 34,115,335	43.35%
06/30/09	$ 4,762,000	$ 10,762,000	$ (6,000,000)	$ 35,716,358	30.13%
06/30/10	$ 4,888,000	$ 4,888,000	$ -	$ 35,562,940	13.74%
06/30/11	$ 5,145,000	$ 5,145,000	$ -	$ 35,556,564	14.47%
06/30/12	$ 5,400,000	$ 7,076,862	$ (1,676,862)	$ 35,208,044	20.10%
06/30/13	$ 5,669,000	$ 8,479,000	$ (2,810,000)	$ 35,221,122	24.07%
06/30/14	$ 5,872,000	$ 6,872,000	$ (1,000,000)	$ 36,772,533	18.69%
06/30/15	$ 6,079,000	$ 7,079,000	$ (1,000,000)	$ 37,522,510	18.87%
06/30/16	$ 5,048,000	$ 2,685,268	$ 2,362,732	$ 35,433,314	7.58%
06/30/17	$ 5,294,000	$ 3,009,007	$ 2,284,993	$ 39,755,794	7.57%

OTHER SUPPLEMENTARY INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
ASSETS				
Due from other funds	$ 397,057	$ 369,741	$ 945,165	$ 1,711,963
Special tax assessments receivable, current portion	544	-	-	544
Notes receivable, fire and rescue loans, current portion	-	472,594	-	472,594
Emergency support services taxes receivable	-	-	65,926	65,926
Notes receivable, fire and rescue loans (net of current portion)	-	2,715,801	-	2,715,801
Special tax assessments receivable (net of current portion)	237,256	-	-	237,256
Total assets	$ 634,857	$ 3,558,136	$ 1,011,091	$ 5,204,084
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ 1,651	$ 1,651
Unearned revenue	238,792	3,188,395	-	3,427,187
Compensation - related liabilities	-	-	10,294	10,294
Due to other funds	-	-	-	-
Total liabilities	238,792	3,188,395	11,945	3,439,132
FUND BALANCES				
Nonspendable	-	-	-	-
Committed	396,065	369,741	999,146	1,764,952
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	396,065	369,741	999,146	1,764,952
Total liabilities and fund balances	$ 634,857	$ 3,558,136	$ 1,011,091	$ 5,204,084

COMMISSIONERS OF ST. MARY'S COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
REVENUES				
Special assessments	$ 176,946	$ -	$ -	$ 176,946
Emergency services support tax	-	-	2,987,250	2,987,250
Other	-	-	300,000	300,000
	176,946	-	3,287,250	3,464,196
EXPENDITURES				
Debt service:				
Debt service	42,369	-	128,523	170,892
Public safety:				
LOSAP, pension and OPEB	-	-	1,524,944	1,524,944
Fire & rescue operating allocations	-	-	671,287	671,287
Advanced life support	-	-	408,404	408,404
Emergency services committee	-	-	144,028	144,028
Emergency management	-	-	55,179	55,179
	42,369	-	2,932,365	2,974,734
Excess of revenues over (under) expenditures	134,577	-	354,885	489,462
OTHER FINANCING SOURCES AND USES				
Fire and rescue loan repayments	-	487,917	-	487,917
Loans to fire and rescue	-	(590,000)	-	(590,000)
Capital projects fund transfer	-	300,000	-	300,000
	-	197,917	-	197,917
Net increase/(decrease) in fund balances	134,577	197,917	354,885	687,379
FUND BALANCES				
Beginning of year	261,488	171,824	644,261	1,077,573
End of year	$ 396,065	$ 369,741	$ 999,146	$ 1,764,952

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
PROPERTY TAXES:				
Real property taxes	$ 101,864,391	$ 101,864,391	$ 101,926,456	$ 62,065
Payments in lieu of taxes	338,091	338,091	294,059	(44,032)
Personal property	168,010	168,010	207,422	39,412
Public utilities	2,484,859	2,484,859	2,221,241	(263,618)
Ordinary business corporations	3,192,183	3,192,183	2,867,426	(324,757)
Additions and abatements	(500,000)	(500,000)	199,579	699,579
Penalties and interest	800,000	800,000	876,869	76,869
State homeowners credit (circuit breaker)	800,000	800,000	881,642	81,642
Homeowners tax credit (county)	(800,000)	(800,000)	(881,642)	(81,642)
Other tax credits	(1,536,549)	(1,536,549)	(1,455,581)	80,968
Total property taxes	106,810,985	106,810,985	107,137,471	326,486
Income Tax				
Local income tax	89,028,917	89,028,917	88,167,869	(861,048)
Other Local Taxes				
Recordation taxes	5,100,000	5,100,000	5,656,026	556,026
Energy taxes	1,300,000	1,300,000	973,359	(326,641)
Public accommodations tax	775,000	775,000	1,146,862	371,862
Trailer park tax	295,000	295,000	307,304	12,304
Admissions and amusement	110,000	110,000	148,321	38,321
Total other local taxes	7,580,000	7,580,000	8,231,872	651,872
State-shared taxes - highway users	821,775	821,775	900,948	79,173
TOTAL TAXES	204,241,677	204,241,677	204,438,160	196,483
LICENSES AND PERMITS:				
Business	267,850	267,850	295,948	28,098
Marriage/animal licenses	12,500	12,500	6,560	(5,940)
Other	290,000	290,000	292,304	2,304
CATV franchise fees	1,000,000	1,000,000	1,060,117	60,117
TOTAL LICENSES AND PERMITS	1,570,350	1,570,350	1,654,929	84,579
INTER-GOVERNMENTAL:				
General government	930,103	1,002,982	848,495	(154,487)
Public safety	1,765,470	1,738,659	1,583,478	(155,181)
Public works	1,600,132	1,356,364	1,309,239	(47,125)
Social services	875,189	814,199	965,323	151,124
Health	5,044,300	4,850,591	4,770,623	(79,968)
Parks, recreation and culture	70,000	54,305	78,884	24,579
Economic development & opportunity	2,040,000	2,034,827	281,216	(1,753,611)
TOTAL INTER-GOVERNMENTAL	12,325,194	11,851,927	9,837,258	(2,014,669)

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
CHARGES FOR SERVICES:				
General government	$ 676,378	$ 987,671	$ 1,437,318	$ 449,647
Public safety	1,403,820	1,442,218	1,561,162	118,944
Public works	452,294	454,402	456,898	2,496
Social services	106,060	102,060	201,340	99,280
Parks, recreation and culture	150,050	150,050	149,484	(566)
Reimbursement - housing authority	60,000	60,000	26,259	(33,741)
TOTAL CHARGES FOR SERVICES	2,848,602	3,196,401	3,832,461	636,060
FINES AND FORFEITURES:				
General government	42,000	42,000	23,121	(18,879)
Public safety	-	-	3,360	3,360
TOTAL FINES AND FORFEITURES	42,000	42,000	26,481	(15,519)
OTHER REVENUES				
General Government				
Interest	60,000	60,000	340,934	280,934
Grant reserve	1,000,000	1,121,487	-	(1,121,487)
Contributions and donations	79,200	83,181	69,865	(13,316)
TOTAL OTHER REVENUES	1,139,200	1,264,668	410,799	(853,869)
TOTAL, BEFORE PASS-THROUGH PROCEEDS	222,167,023	222,167,023	220,200,088	(1,966,935)
Pass-through proceeds	-	-	-	-
OTHER FINANCING SOURCES				
Appropriation of fund balance	-	432,830	-	(432,830)
TOTAL REVENUES INCLUDING PASS-THROUGHS	$ 222,167,023	$ 222,599,853	$ 220,200,088	$ (2,399,765)

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Favorable (Unfavorable) Variance
GENERAL GOVERNMENT:				
Legislative/county commissioners:				
Legislative/county commissioners	$ 475,923	$ 457,423	$ 437,409	$ 20,014
County administrator	402,935	394,435	379,391	15,044
Public information	243,235	243,235	233,561	9,674
County attorney	681,776	681,326	662,807	18,519
Legislative/county commissioners	1,803,869	1,776,419	1,713,168	63,251
Department of finance:				
Administration/budget	700,404	706,699	687,376	19,323
Accounting	579,319	565,319	555,600	9,719
Auditing	46,060	46,060	48,299	(2,239)
Procurement	313,328	295,328	288,970	6,358
Department of finance	1,639,111	1,613,406	1,580,245	33,161
Department of emergency services & technology:				
Technology	2,923,935	2,999,907	2,898,302	101,605
Department of human resources:				
Human resources	1,096,001	1,038,715	867,559	171,156
Risk management	811,684	816,229	636,887	179,342
Grants	-	7,760	9,560	(1,800)
Department of human resources	1,907,685	1,862,704	1,514,006	348,698
Department of public works & transportation:				
Building services	4,081,931	3,938,290	3,564,199	374,091
Grants (STS)	-	8,433	23,077	(14,644)
Development review	231,225	186,225	173,203	13,022
Mailroom/messenger services	143,730	96,730	86,904	9,826
Vehicle maintenance shop	1,566,171	1,557,490	1,455,667	101,823
Department of public works & transportation	6,023,057	5,787,168	5,303,050	484,118
Department of land use & growth management:				
Administration	745,773	737,273	660,364	76,909
Board of electrical examiners	14,300	14,300	13,773	527
Comprehensive planning	730,050	526,044	513,516	12,528
Development services	434,639	376,401	346,702	29,699
Inspections & compliance	699,103	602,103	532,773	69,330
Permit services	381,925	345,925	337,840	8,085
Zoning administration	305,746	330,746	320,199	10,547
Building code appeals board	2,900	2,900	-	2,900
Commission on the environment	2,825	2,825	1,025	1,800
Plumbing & gas board	1,850	1,850	1,479	371
Planning commission	23,851	24,711	22,342	2,369
Boards and commissions	21,654	21,654	17,611	4,043
Historical preservation	3,580	3,580	2,279	1,301
Grants	41,100	22,500	33,967	(11,467)
Department of land use & growth management	3,409,296	3,012,812	2,803,870	208,942
Circuit court:				
Administration	986,444	969,144	904,721	64,423
Law library	67,166	67,166	65,666	1,500
Grants	661,907	728,268	608,525	119,743
Orphan's court	48,268	57,268	55,791	1,477
Circuit court	1,763,785	1,821,846	1,634,703	187,143
Office of the state's attorney:				
Judicial	2,809,109	2,790,609	2,720,224	70,385
Grants	641,314	662,992	602,189	60,803
Office of the state's attorney	3,450,423	3,453,601	3,322,413	131,188
County treasurer	447,659	461,659	453,254	8,405

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Favorable (Unfavorable) Variance
Alcohol beverage board	$ 285,596	$ 280,986	$ 196,539	$ 84,447
Supervisors of elections	1,114,352	1,090,352	931,941	158,411
Ethics commission	833	833	650	183
Total general government	$ 24,769,601	$ 24,161,693	$ 22,352,141	$ 1,809,552
PUBLIC SAFETY:				
Department of emergency services & technology:				
Emergency management	$ 334,650	$ 348,990	$ 308,978	$ 40,012
Animal control	807,501	782,501	721,621	60,880
Emergency activation	-	37,917	37,622	295
Emergency communications center	2,715,113	2,581,672	2,570,359	11,313
Emergency radio communications	2,344,318	2,358,827	2,336,371	22,456
Grants	744,451	744,622	561,662	182,960
Department of emergency services & technology	6,946,033	6,854,529	6,536,613	317,916
Office of the sheriff:				
Law enforcement	22,321,471	23,143,163	22,495,701	647,462
Corrections	12,465,071	12,049,239	11,062,302	986,937
Training	402,889	402,889	332,823	70,066
Canine	25,900	25,900	22,118	3,782
Court security	801,834	827,317	797,070	30,247
Grants	323,561	305,911	277,081	28,830
Office of the sheriff	36,340,726	36,754,419	34,987,095	1,767,324
Total public safety	$ 43,286,759	$ 43,608,948	$ 41,523,708	$ 2,085,240
PUBLIC WORKS:				
Department of PW and transportation:				
Administration	$ 439,472	$ 382,602	$ 390,543	$ (7,941)
Engineering services	788,038	783,448	780,323	3,125
Construction & inspections	646,149	894,307	893,544	763
County highways	4,298,526	4,468,580	4,353,864	114,716
St Mary's county airport	42,470	42,470	10,640	31,830
St. Mary's transit system	3,309,584	3,031,702	2,427,852	603,850
Department of PW and transportation	9,524,239	9,603,109	8,856,766	746,343
Total public works	$ 9,524,239	$ 9,603,109	$ 8,856,766	$ 746,343
HEALTH:				
Operating allocation:				
Health department	$ 2,122,503	$ 2,122,503	$ 2,122,503	$ -
Mosquito control	16,197	16,197	16,153	44
Operating allocation	2,138,700	2,138,700	2,138,656	44
Human services:				
Human services	422,450	427,450	368,841	58,609
Grants	4,702,048	4,503,339	4,541,302	(37,963)
Human services	5,124,498	4,930,789	4,910,143	20,646
Total health	$ 7,263,198	$ 7,069,489	$ 7,048,799	$ 20,690

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Favorable (Unfavorable) Variance
SOCIAL SERVICES:				
Department on aging:				
Department on aging	$ 1,705,292	$ 1,672,963	$ 1,638,827	$ 34,136
Grants	1,076,629	1,020,512	985,179	35,333
Non Profit Allocation	906,415	906,415	906,415	-
Department on aging	3,688,336	3,599,890	3,530,421	69,469
Department of social services	447,408	417,991	411,927	6,064
Operating allocation:				
Tri-County Youth Services Bureau	110,000	110,000	110,000	-
Operating allocation	110,000	110,000	110,000	-
Total social services	$ 4,245,744	$ 4,127,881	$ 4,052,348	$ 75,533
PRIMARY AND SECONDARY EDUCATION:				
Board of Education	$ 102,690,393	$ 102,690,393	$ 102,690,393	$ -
Non-public school bus transportation	2,024,288	2,024,288	1,996,263	28,025
Operating allocation:				
Non Profit Allocation	18,175	18,175	18,175	-
Total primary and secondary education	$ 104,732,856	$ 104,732,856	$ 104,704,831	$ 28,025
POST-SECONDARY EDUCATION:				
College of Southern Maryland - general operations	$ 4,207,365	$ 4,207,365	$ 4,207,365	$ -
Operating allocation:				
Southern Md. Higher Education Center	60,000	60,000	60,000	-
Total post-secondary education	$ 4,267,365	$ 4,267,365	$ 4,267,365	$ -
PARKS, RECREATION AND CULTURE:				
Department of recreation and parks:				
Administration	$ 1,214,323	$ 1,206,223	$ 1,189,249	$ 16,974
Parks maintenance	2,085,308	2,066,426	2,044,221	22,205
Museum division	560,367	478,367	445,102	33,265
Non Profit Agency - Miscellaneous	87,580	87,580	87,580	-
Grants	70,000	51,742	82,320	(30,578)
Department of recreation and parks	4,017,578	3,890,338	3,848,472	41,866
Total parks, recreation and culture	$ 4,017,578	$ 3,890,338	$ 3,848,472	$ 41,866

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Favorable (Unfavorable) Variance
LIBRARIES:				
County funding - general operations	$ 2,684,573	$ 2,684,573	$ 2,684,574	$ (1)
CONSERVATION OF NATURAL RESOURCES:				
Cooperative Extension Service	$ 260,958	$ 255,123	$ 241,528	$ 13,595
Soil Conservation District	73,946	74,926	74,920	6
Conservation of natural resources	334,904	330,049	316,448	13,601
Allocation of agriculture and seafood (Division of DECD)	157,310	178,318	177,656	662
Operating allocation:				
SMC Forest Conservation District Board	2,500	2,500	2,500	-
Southern Md. Resource Conservation/Dev.	12,470	12,470	12,470	-
Operating allocation	14,970	14,970	14,970	-
Total conservation of natural resources	$ 507,184	$ 523,337	$ 509,074	$ 14,263
ECONOMIC DEVELOPMENT AND OPPORTUNITY:				
Department of economic & community development:				
Administration/office of the director	$ 417,210	$ 417,210	$ 410,105	$ 7,105
Tourism development	480,719	471,779	418,680	53,099
Agriculture & seafood development	209,747	237,757	236,875	882
Less allocation (see above)	(157,310)	(178,318)	(177,656)	(662)
Business development/lexington park revitalization	411,181	444,911	404,700	40,211
Misc Operating Allocation	28,580	28,580	28,580	
Grants	2,040,000	2,034,827	541,131	1,493,696
Department of economic & community development	3,430,127	3,456,746	1,862,415	1,594,331
Office of Community Services:				
Office of community services	458,578	451,178	445,033	6,145
Human relations commission	1,850	1,850	-	1,850
Commission for the disabled	2,300	2,300	2,300	-
Commission for women	4,500	8,481	8,471	10
	467,228	463,809	455,804	8,005
Operating allocation:				
Tri-County Comm Action Com	16,000	16,000	16,000	-
Tri-County Council	94,200	94,200	94,200	-
Operating allocation	110,200	110,200	110,200	-
Total economic development and opportunity	$ 4,007,555	$ 4,030,755	$ 2,428,419	$ 1,602,336
DEBT SERVICE:				
Debt service	$ 10,654,319	$ 10,028,820	$ 10,012,559	$ 16,261
INTER-GOVERNMENTAL:				
Leonardtown tax rebate	$ 43,943	$ 43,943	$ 43,943	$ -
Total inter-governmental	$ 43,943	$ 43,943	$ 43,943	$ -

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
OTHER:				
Employer contributions-retiree health benefits	$ 3,000,000	$ 3,000,000	$ 3,026,204	$ (26,204)
Unemployment compensation	40,000	40,000	30,768	9,232
Bank service fees	25,000	25,000	18,242	6,758
Total other	$ 3,065,000	$ 3,065,000	$ 3,075,214	$ (10,214)
Total expenditures, before pass-throughs	$ 223,069,914	$ 221,838,107	$ 215,408,213	$ 6,429,894
Pass-through expenditures	-	-	-	-
Total expenditures, including pass-throughs	$ 223,069,914	$ 221,838,107	$ 215,408,213	$ 6,429,894
RESERVES:				
Reserve - grants	$ 1,000,000	$ 1,121,487	$ -	$ 1,121,487
Reserve - bond rating	400,000	400,000	-	400,000
Reserve - emergency appropriations	670,101	2,213,251	-	2,213,251
Reserves	2,070,101	3,734,738	-	3,734,738
Total reserves	$ 2,070,101	$ 3,734,738	$ -	$ 3,734,738
Total expenditures, including pass-throughs and reserves	$ 225,140,015	$ 225,572,845	$ 215,408,213	$ 10,164,632
Transfer:				
Capital projects - general fund transfer/pay-go	(2,972,992)	(2,972,992)	(2,972,992)	-
Total expenditures and other financing uses	$ 222,167,023	$ 222,599,853	$ 212,435,221	$ 10,164,632

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2017

LAND PRESERVATION		
Agriculture Preservation	$ 4,939,219	
Critical Area Planting	234,480	$ 5,173,699
HIGHWAYS		
FDR Blvd. Extended	$ 12,801,222	
Regional Water Quality & Nutrient Removal	5,649,939	
Patuxent Park Neighborhood Preservation	5,303,014	
Buck Hewitt Road	922,322	
MD 235 - MD4 Woodland Acres	500,000	
Buck Hewitt Road - Northside	481,566	
Asphalt Overlay	384,136	
Roadside Obstacles	285,801	
Retrofit Sidewalk Program	78,878	
Dr. Johnson Rd. Bridge Structure	55,174	
Bridge/Culvert Replacement	30,946	
Roadway Base Widening & Repairs	25,891	
Modified Seal Surface Treatment	6,754	
Streetscape Improvement	3,543	26,529,186
MARINE		
St. Jerome's Creek Jetties	$ 5,621,241	
Ellis Road Revetment	360,000	
St. Jerome's Creek Jetties	180,000	6,161,241
PUBLIC WORKS		
Airport Master Plan	$ 7,683,927	
Sheriff District 4 Office	2,345,114	
800 MHz Radio Enhancement	2,281,691	
So MD Higher Education Center Building Three	1,250,000	
ADC Upgrades	1,019,961	
Building Maintenance & Repairs	638,114	
Navy Museum Buildings B & C Upgrades	546,293	
Leonardtown Library/Garvey Sr. Center	381,620	
Base Realignment & Closure	227,008	
Airport Wetlands Mitigation	173,803	
Advanced Life Support New Building	172,864	
Energy Efficiency and Conservation	155,921	
Farmers Market Improvements	143,570	
Northern Senior Center Activity Cnt	96,000	
Tri-County Animal Shelter	95,020	
Airport Improvements	75,113	
Paging System Enhancement	50,000	
Parking and Site Improvements	37,922	
CSM Tech Infrastructure Upgrade	16,345	
Patuxent River Naval Museum-New	5,438	17,395,724

COMMISSIONERS OF ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

PIERS AND BOAT RAMPS		
Clarkes Landing Boat Ramp	$ 254,260	
St. Inigoes Landing Bulkhead Replacement	176,558	
Derelict Boat Removal	5,000	$ 435,818
PUBLIC SCHOOLS		
Piney Point Elementary School Roof Replacement	$ 1,068,789	
New Elementary School Central County	1,043,000	
Track Resurfacing	819,728	
Relocatables for Various Sites	777,309	
Auditorium Lighting Replacement	547,510	
Captain Duke Elementary School	266,001	
Fairlead Academy Relocatables	264,000	
Site Acquisition Various	263,661	
DSS IT & Warehouse Facility	169,000	
Great Mills HS Roof Top Unit	158,195	
Tennis Court Resurfacing	156,558	
Fairlead Academy Building	119,937	
Playground Equipment	62,993	
Spring Ridge MS Relocatables	42,889	
Esperanza Middle School Soil Erosion	41,489	
Qualified Zone Academy Bond	31,435	
Site Paving - Parking Lots & Sidewalks	17,607	
Lettie Dent ES Roof Top Unit	14,342	
Aging School Program	7,515	5,871,958
RECREATION & PARKS		
Nicolet Park Entrance	$ 985,950	
Recreation Facility Improvements	638,398	
Leonardtown Park	461,353	
Parks Land Acquisition	353,080	
Three Notch Trail	307,648	
Chaptico Park - Phased Dev	175,000	
Piney Point Lighthouse Museum	139,421	
Fireman's Heritage Museum	105,000	
Snow Hill Property	54,100	
St. Clements Isl Mus Remov	30,000	
Lancaster Park Improvements	28,765	
Elms Beach Park Improvements	26,206	
Park Planning Grant	351	3,305,272
SOLID WASTE		
Landfill Mitigation	63,845	
Convenience Center Expansion	5,300	69,145
Total		$ 64,942,043

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Murphy & Murphy, CPA, LLC
Certified Public Accountants

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

To the Commissioners of St. Mary's County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commissioners of St. Mary's County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commissioners of St. Mary's County's basic financial statements, and have issued our report thereon dated November 10, 2017. Our report includes a reference to other auditors who audited the financial statements of the St. Mary's County Public Schools, as described in our report on the Commissioners of St. Mary's County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commissioners of St. Mary's County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners of St. Mary's County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commissioners of St. Mary's County's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commissioners of St. Mary's County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 10, 2017

ST. MARY'S COUNTY METROPOLITAN COMMISSION

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2017 AND 2016

Murphy & Murphy, CPA, LLC

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON COMPONENT UNIT FINANCIAL STATEMENTS

To the Commissioners of
St. Mary's County Metropolitan Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of St. Mary's County Metropolitan Commission (MetCom), component unit of St. Mary's County, Maryland, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise St. Mary's County Metropolitan Commission’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of St. Mary's County Metropolitan Commission, as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and the OPEB schedules on pages 4 through 10, 47 through 48, and 49 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Mary's County Metropolitan Commission's basic financial statements. The other supplemental information on pages 52 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of St. Mary's County Metropolitan Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Mary's County Metropolitan Commission's internal control over financial reporting and compliance.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
October 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the St. Mary's County Metropolitan Commission's (MetCom's) annual financial report presents our discussion and analysis of MetCom's financial performance during the fiscal years that ended June 30, 2017 and 2016. Please read it in conjunction with MetCom's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- MetCom's total net position increased by $3.6 million and $1.1 million, or 3.4% and 1%, as a result of operations in FY 2017 and 2016, respectively.

- During the current year, MetCom's revenue from operations was $13.8 million, representing an increase of 4.5% over the prior year. The current year increase is mostly due to a 3.75% increase in sewer rates and a 1.75% increase in water rates. Operating revenues in FY 2016 were $13.2 million, a 7.3% decrease. The decrease in FY 2016 was due to the implementation of a new rate structure composed of Water and Sewer Ready-To-Serve Charges based on meter size and tiered water usage rates based on the volume and size of the meter and a sewer usage rate based on water usage.

- MetCom's operating expenses excluding depreciation were $13.2 million during FY 2017 and $12.6 million in FY 2016.

- Depreciation expense totaled $6.2 million, a decrease of $3.3 million over FY 2016. FY 2016 included extra depreciation on Marlay-Taylor Wastewater Treatment Plant and water meters that were retired before they were fully depreciated, which was a one-time expense.

- MetCom's nonoperating revenue was $8.0 million during the current year and $6.4 million in FY 2016, representing an increase of 25.9% in the current year and a decrease of 7.4% in the prior year. The increase in the current year was mainly attributable to the increase in debt service charges. Most of the increase was due to an increase in the number of Capital Contribution Charges paid in FY 2017 compared to FY 2016. Capital Contribution Charges paid in FY 2016 were artificially low because many customers prepaid the charges in FY 2015 to take advantage of the lower FY 2015 rates.

- In FY 2008 MetCom established a trust fund for the management of assets and accounting for financial transactions associated with the provision of retiree health insurance coverage. In FY 2015 MetCom joined in the Maryland Association of Counties (MACo) Pooled Other Post Employment Benefit Plan (OPEB) Trust. The balance in trust was $4.8 million as of 6/30/17 and $4.1 million as of 6/30/16. In FY 2017 MetCom contributed $526 thousand, to fully fund the annual required contribution.

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis, the basic financial statements and supplemental information. The basic financial statements consist of:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to Financial Statements

The Statements of Net Position provide a snapshot of MetCom's financial position at both June 30, 2017 and 2016. Amounts of Net Position are cumulative from inception. Both current and long-term assets and liabilities, as well as net position, are presented.

The Statements of Revenues, Expenses and Changes in Net Position provide information about the activities of MetCom as a whole and reflect activity for the fiscal years ended June 30, 2017 and 2016. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net position.

The Statements of Cash Flows present the sources and uses of MetCom's cash. MetCom uses the direct method for presenting the cash flow statements.

The Notes to the Financial Statements provide information and more detailed data about the financial statements. The Required Supplemental Information provides information about the Pension Plan and Other Post Employment Benefit Plan (OPEB). The Supplementary Departmental Financial Statements report MetCom's activities in more detail by providing information about MetCom's most financially significant funds.

MetCom operates as an enterprise fund, which is one type of proprietary fund. All of MetCom's basic services are reported here, including water, sewer, engineering services and general administration, as well as other nonoperating revenues and expenses. MetCom charges customer fees to cover all of the costs of the services it provides. MetCom's financial statements are presented using the accrual basis of accounting and the economic resource measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water and other services are delivered, and expenses are recognized when goods and services are received, regardless of when cash is received or paid.

MetCom has one fiduciary fund, the Retiree Health Benefit Fund, which is used to account for resources held for the benefit of MetCom employees and retirees. These funds are not available to support MetCom's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Supplementary Departmental Financial Statements provide details about MetCom's most significant funds – not MetCom as a whole. The Board of Commissioners of MetCom establishes funds to help it manage and control monies for particular purposes or to show that it is meeting legal responsibilities.

METCOM AS A WHOLE

Statements of Net Position

MetCom's total net position increased by approximately $3.6 million in FY 2017 and $1.1 million in FY 2016. FY 2015 has been restated to include unspent/undrawn loan proceeds in Bonds Payable. Most of the current year and prior year's increases are attributable to the change in capital assets. MetCom has had an aggressive plan to upgrade or replace many of MetCom's existing water and sewer facilities consistent with the guidance provided by the 5th & 8th Sanitary Districts Facilities Plan prepared by CH2M Hill. In addition, a project to upgrade the Marlay-Taylor Wastewater Reclamation Facility to comply with the new Maryland Department of the Environment (MDE) Enhanced Nutrient Removal (ENR) requirements is almost complete. The following condensed statements show the changes in assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2017, 2016 and 2015.

MetCom's Net Position
(in millions of dollars)
Business-type activities

	June 30,		
	2017	2016	2015
Current and other assets	$ 55.90	$ 64.60	$ 69.80
Capital assets	157.90	151.00	139.40
Deferred outflows	1.50	1.10	0.50
Total assets and deferred outflows	$ 215.30	$ 216.70	$ 209.70
Long-term debt outstanding	$ 88.70	$ 93.00	$ 88.90
Pension liabilities	5.10	4.40	3.40
Other liabilities	9.70	11.10	10.00
Deferred inflow	0.10	0.10	0.40
Total liabilities and deferred inflow	$ 103.60	$ 108.60	$ 102.70
Net position			
Net invested in capital assets	$ 91.10	$ 87.50	$ 88.70
Restricted	11.90	11.30	10.60
Unrestricted	8.70	9.30	7.70
Total net position	$ 111.70	$ 108.10	$ 107.00

Statements of Revenues, Expenses and Changes in Net Position

Changes in MetCom's net position can be determined by reviewing the following condensed Statements of Revenue, Expenses and Changes in Net Position:

MetCom's Changes in Net Position
(in millions of dollars)
Business-type activities

	Years ended June 30,		
	2017	2016	2015
Operating revenues	$ 13.80	$ 13.20	$ 14.20
Operating expenses	(13.20)	(12.60)	(11.70)
Depreciation expense	(6.20)	(9.50)	(4.50)
Operating loss	(5.60)	(8.90)	(2.00)
Nonoperating revenues	8.00	6.40	6.90
Capital contributions	1.20	3.60	5.40
Change in net position	3.60	1.10	10.30
Net position at beginning of year, restated	108.10	107.00	96.70
Net position at end of year, restated	$ 111.70	$ 108.10	$ 107.00

MetCom's operating revenues totaled $13.8 million during the current year. Total operating revenues increased by $.6 million or 4.5% over the prior year, compared to operating revenue in the prior year of $13.2 million which was a decrease of 7.3% over FY 2015. The current year increase is mostly due to a 3.75% increase in sewer rates and a 1.75% increase in water rates and an increase in Miscellaneous Revenue. The decrease in FY 2016 was due to the implementation of a new rate structure composed of Water and Sewer Ready-To-Serve charges based on meter size and tiered water usage rates based on the volume and size of the meter and a sewer usage rate based on water used. The decrease was not unexpected. When the new rate structure was implemented it was discussed that the rate structure might need to be adjusted over several years.

Expenses from MetCom's operating activities excluding depreciation totaled $13.2 million during the current year and $12.6 million in the prior year, an increase of $.6 million. All of these expenses are considered related to providing water, sewer and engineering services to the residents/businesses of St. Mary's County. Salaries and benefits comprised $8.7 million, or 65.7% of operating expenses. Power for plant operations was $1.2 million, or 9.3%. Maintenance of the system was $.9 million or 6.5% of operating expenses. The remaining $2.4 million, or 18.5%, related to direct and administrative costs. Depreciation Expense totaled $6.2 million, a decrease of $3.3 million over FY 2016. Depreciation decreased in FY 2017 because FY 2016 included depreciation on assets, Marlay-Taylor Wastewater Treatment Plant and water meters, that were retired before they were fully depreciated, which was a one-time expense.

Total Nonoperating Revenue increased $1.6 million to $8 million in the current year. Debt service Charges increased by $1.5 million and interest expense went down by $.1 million. The Debt Service Charges are made up of $8.1 million of System Improvement Charges and $2 million of Capital Contribution Charges. System Improvement Charges increased $.3 million or 3.3%. The increase is due to customer growth and a 2.62% average increase in Water and Sewer System Improvement rates. Capital Contribution Charges increased by $1.2 million. Most of the increase, $1 million, was due to an increase in the number of Capital Contribution Charges paid compared to FY 2016. Capital Contribution payments were artificially low in FY 2016 because many customers prepaid the lower FY 2015 Sewer Capital Contribution Charges in FY 2015 to avoid the rate increase of 28% in FY 2016. There was also an increase in FY 2017 Water Capital Contribution Charge rates of 15.36%, which contributed to the increase in Capital Contribution Charge revenue.

Capital contributions, which include both grants and assets built by developers and donated to MetCom, were $1.2 million in FY 2017, a decrease of $2.4 million from FY 2016. Grants decreased $3.2 million in FY 2017, while donated assets increased by $.8 million. Grants decreased by $1.6 million in FY 2016 compared to FY 2015, while donated assets decreased by $.2 million in FY 2016. The grants received in FY 2016 were for the Enhanced Nutrient Removal (ENR) Project and the Radio Read Meter Project. These projects are almost complete, which is the reason for the decline in Grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2017, MetCom had $221.5 million prior to depreciation invested in capital assets. This represents a 5.4% increase over the previous year. The majority of the increase was for the completed portions of the Marlay-Taylor Water Reclamation Facility ENR project, Patuxent Park 3 Water and Sewer and the Lynn Drive Wastewater Pump Station. At June 30, 2016, MetCom had $210.2 million prior to depreciation invested in capital assets. This represents an increase of 6% over the FY 2015. MetCom owns utility and water plants in addition to numerous vehicles, furniture, equipment and computer equipment and buildings. The following table summarizes MetCom's capital assets (in millions):

	June 30,		
	2017	2016	2015
Utility plants	$ 145.10	$ 133.90	$ 106.50
Water plants	50.60	46.60	40.00
Equipment	9.30	8.80	8.50
Capitalized interest	.80	.80	.80
Buildings	3.90	3.90	3.90
Land	1.20	1.10	.90
Construction in process	10.60	15.10	37.40
Total before depreciation	221.50	210.20	198.00
Accumulated depreciation	(63.60)	(59.20)	(58.60)
Net capital assets	$ 157.90	$ 151.00	$ 139.40

This year's major capital asset additions included:

- The Marlay-Taylor Water Reclamation Facility Enhanced Nutrient Removal, ENR project, $7.5 million of which was put in service in FY 2017. This project was funded with a grant and loan from MDE and a loan from DHCD. Part of the existing Marlay-Taylor Water Reclamation Facility was retired during construction of the ENR upgrade.

- Patuxent Park 3 Water and Sewer upgrade, $3.5 million, was put into service in FY 2017. This project was funded with a loan from DHCD.

- Lynn Drive Wastewater Pump Station upgrade, $1.8 million was put into service in FY2017. This project was funded with a loan from DHCD.

MetCom's FY 2018 Capital Improvement Budget for water is $4.6 million, which includes $2.9 million for water lines, $.7 million for water storage tanks and $1.0 million for miscellaneous projects. The largest FY 2018 project is the Town Creek Water System at $2.7 million.

The FY 2018 Capital Improvement Budget for sewer is $1.8 million, $.3 million for replacement projects and $1.5 million for upgrades/expansions. The largest project is $.5 million for the planning/design for the St. Clements Shores Wastewater Treatment Plant Expansion Phase B.

Debt administration

At the end of FY 2017 and FY 2016, MetCom had a total of $94.7 million and $99.0 million in debt outstanding, respectively. FY 2015 was restated to include undrawn DHCD loans. As of June 30, 2017 MetCom has $.6 million available on existing MDE debt, MDE loans in place that have not been fully drawn down. The undrawn amount of MDE loans is not included in Notes Payable.

On August 6, 2015, MetCom closed on two loans with TD Bank, for $7.8 million to refinance some or all of Bond 17, Bond 21 and Bond 23.

The following table summarizes MetCom's debt (in millions):

	Years ended June 30,		
	2017	2016	2015
Bonds payable	$ 58.0	$ 61.8	$ 65.2
Notes, leases and loans payable	36.7	37.2	29.2
Total debt	$ 94.7	$ 99.0	$ 94.4

The primary sources of revenue available for repayment of debt are system improvement charges that are paid by all customers with allocations on our system and capital contribution charges which are paid by all new customers.

MDE has authorized loans for the following projects: Great Mills Wastewater Pump Station Upgrade, Piney Point Water System Replacement, St. Clements Shores Water System Replacement, Patuxent Park Phase 4 Water and Sewer Replacement and Town Creek Water Phase 1.

In 2017 MetCom had Davenport & Company perform a Debt Policy Study. The 2017 Debt Policy Study found that "The financial and debt profile of MetCom remains relatively strong compared to existing rating agency criteria for utility systems, as well as national water and sewer medians on a number of key ratios."

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

MetCom anticipates about a 6.1% increase in the total operating revenues for next year compared to FY17 actuals. Water rates are increasing 3% and sewer rates are increasing 3.75%. MetCom also expects to receive an ENR Grant from MDE in the amount of $180 thousand to help offset some of the additional costs of operating the Marlay-Taylor Water Reclamation Facility at ENR levels.

The total operating expenses in MetCom's Operating Budget for FY 2018 are $14.9 million, about $1 million more than the FY 2017 Amended Budget. Salaries are the largest component of MetCom's operating expenses, the Operating Budget for FY 2018 includes salaries of $6.2 million, a $465 thousand increase over FY 2017 Amended Operating Budget. Health insurance is $1.6 million and OPEB is $497 thousand to fully fund the Annual Required Contribution, ARC, to the OPEB trust. Electricity to operate the water and sewer systems is $1.1 million in the FY 2018 Operating Budget.

CONTACTING METCOM'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of MetCom's finances and show MetCom's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the MetCom Administrative office at 23121 Camden Way, California, Maryland 20619.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF NET POSITION

ASSETS

	June 30, 2017	June 30, 2016
Current assets:		
Cash and cash equivalents	$ 24,204,367	$ 21,493,669
Accounts receivable	1,396,633	1,958,242
Loans/grants receivable	29,599,287	40,479,691
Inventory	323,150	257,922
Prepaid expenses	407,822	354,850
Total current assets	55,931,259	64,544,374
Noncurrent assets:		
Net capital assets	157,886,636	150,977,740
Unamortized bond discount	26,720	28,390
Total noncurrent assets	157,913,356	151,006,130
Deferred outflow of resources:		
Pension	1,167,311	783,173
Bond refunding	327,867	360,654
Total deferred outflow of resources	1,495,178	1,143,827
Total assets and deferred outflow of resources	$ 215,339,793	$ 216,694,331

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF NET POSITION (CONTINUED)

LIABILITIES AND NET POSITION

	June 30, 2017	June 30, 2016
Current liabilities:		
Accounts payable	$ 1,700,946	$ 3,130,156
Accrued interest payable	684,906	713,658
Accrued expenses	994,320	922,814
Unearned revenue	22,213	25,611
Bond premiums	301,144	320,071
Bonds payable	3,880,834	3,772,809
Notes, leases and loans payable	2,117,498	2,272,418
Total current liabilities	9,701,861	11,157,537
Noncurrent liabilities:		
Bonds payable	54,124,258	58,005,093
Notes, leases and loans payable	34,578,811	34,995,015
Net pension liability	5,077,596	4,394,022
Total noncurrent liabilities	93,780,665	97,394,130
Deferred inflow of resources:		
Pension	134,418	89,986
Total liabilities and deferred inflow of resources	103,616,944	108,641,653
Net position:		
Net investment in capital assets	91,131,949	87,486,749
Restricted	11,922,819	11,302,534
Unrestricted	8,668,081	9,263,395
Total net position	111,722,849	108,052,678
Total liabilities, deferred inflow of resources and net position	$ 215,339,793	$ 216,694,331

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years ended June 30, 2017	2016
Operating revenue:		
Service charges	$ 13,395,427	$ 12,930,141
Miscellaneous	362,484	234,805
Total operating revenue	13,757,911	13,164,946
Operating expenses:		
Direct operating expenses	7,663,348	7,390,143
Administrative expenses	5,542,092	5,255,554
Total operating expenses	13,205,440	12,645,697
Operating income before depreciation	552,471	519,249
Depreciation	(6,151,049)	(9,493,930)
Operating loss	(5,598,578)	(8,974,681)
Nonoperating revenue (expenses):		
Interest income	115,716	26,783
Debt service charges	10,129,405	8,640,884
House connection charges- net	(2,474)	30,913
Interest expense	(2,366,572)	(2,471,428)
Other fees	140,498	141,496
Total nonoperating revenue, net	8,016,573	6,368,648
Income before contributions	2,417,995	(2,606,033)
Capital contributions	1,252,176	3,632,156
Change in net position	3,670,171	1,026,123
Total net position- beginning	108,052,678	107,026,555
Total net position- ending	$ 111,722,849	$ 108,052,678

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CASH FLOWS

	Years ended June 30, 2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 13,953,638	$ 13,631,840
Payments to suppliers	(8,695,912)	(5,851,151)
Payments to employees	(5,552,853)	(5,611,129)
Other receipts	362,484	234,805
Net cash provided by operating activities	67,357	2,404,365
Cash flows from capital and related financing activities:		
Proceeds from capital debt	11,836,853	26,353,807
Purchases of capital assets	(11,044,558)	(16,601,309)
Principal paid on capital debt	(6,152,305)	(13,527,629)
Interest paid on capital debt	(2,379,794)	(2,540,149)
Other receipts and payments	10,267,429	8,813,293
Net cash provided by capital and relating financing activities	2,527,625	2,498,013
Cash flows from investing activities:		
Interest received	115,716	26,783
Net increase in cash and cash equivalents	2,710,698	4,929,161
Cash and cash equivalents at beginning of year	21,493,669	16,564,508
Cash and cash equivalents at end of year	$ 24,204,367	$ 21,493,669

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years ended June 30, 2017	2016
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (5,598,578)	$ (8,974,681)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,239,760	9,603,323
Changes in assets and liabilities:		
Accounts receivable	561,609	705,429
Prepaid expense	(52,972)	(3,238)
Inventory	(65,228)	9,215
Deferred outflows	(384,138)	(288,170)
Accounts payable	(1,429,210)	593,698
Accrued expenses	71,506	63,428
Unearned revenue	(3,398)	(3,730)
Net pension liability	683,574	982,517
Deferred inflows	44,432	(283,426)
Net cash provided by operating activities:	$ 67,357	$ 2,404,365

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

	Years ended June 30, 2017	2016
Increase in capital assets	$ 13,148,656	$ 21,160,136
Capital contribution	(1,252,176)	(3,632,156)
Change in grants receivable	(851,922)	(926,671)
Purchase of capital assets	$ 11,044,558	$ 16,601,309
Additions to capital debt	$ 1,808,371	$ 18,204,666
Change in loans receivable	10,028,482	8,509,795
Deferred outflows - bond refunding	-	(360,654)
Proceeds from capital debt	$ 11,836,853	$ 26,353,807

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF FIDUCIARY NET POSITION

ASSETS

	Years ended June 30, 2017	2016
Restricted investments	$ 4,838,081	$ 4,138,815
Total assets	$ 4,838,081	$ 4,138,815

	Years ended June 30, 2017	2016
Accrued liabilities	$ 4,205	$ 8,441

LIABILITIES AND NET POSITION

	Years ended June 30, 2017	2016
Net assets held in trust for OPEB	$ 4,833,876	$ 4,130,374

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Years ended June 30, 2017	2016
ADDITIONS:		
Contributions	$ 526,000	$ 507,000
Interest income	90,486	70,564
Unrealized gain	265,024	-
Net additions	$ 881,510	$ 577,564
DEDUCTIONS:		
Benefits paid	$ (151,090)	$ (127,395)
Administrative expenses	(26,918)	(29,048)
Unrealized loss	-	(6,779)
Net deductions	(178,008)	(163,222)
Change in net position	$ 703,502	$ 414,342
NET POSITION:		
Beginning of year	$ 4,130,374	$ 3,716,032
End of year	$ 4,833,876	$ 4,130,374

See accompanying notes.

1. Summary of significant accounting policies

Financial reporting entity

The St. Mary's County Metropolitan Commission (MetCom) is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland. MetCom's commissioners are appointed by the County Commissioners of St. Mary's County. MetCom, a body politic and corporate, organized under section 113 of the code of St. Mary's County, is a component unit of the St. Mary's County Government.

The financial statements of MetCom have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The significant accounting policies are described below.

Fund accounting and basis of accounting

MetCom maintains its accounting system as an enterprise fund to report its nonfiduciary activities. An enterprise fund is used to account for operations that are primarily financed by user charges. Separate financial statements are provided for its fiduciary fund.

Fund accounting is designed to demonstrate legal compliance and to aid in financial management by segregating transactions related to certain government functions or activities. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Both enterprise and fiduciary funds are accounted for using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Fund equity (i.e., net position) is segregated into net investment in capital assets and restricted and unrestricted components. Enterprise fund-type operating statements present increases (e.g., revenue) and decreases (e.g., expenses) in net position.

1. Summary of significant accounting policies (continued)

Fund accounting and basis of accounting (continued)

Net position is reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or imposed by law through legislation.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits and any highly liquid investments with an initial maturity of three months or less.

Inventory

Inventory is valued at the average cost method. The consumption method of recording inventory is used, which means that the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenses when used.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivables include inspection fees and water and sewer billings receivable.

Compensated absences

Compensated absences are accrued as incurred and recognized as a current liability in the financial statements. These absences represent vacation leave earned but not taken, and sick leave earned prior to October 2004 that will be paid out at the rate of 50% upon the employees' retirement. The total leave earned but not taken was $587,711 and $594,487 at June 30, 2017 and 2016, respectively.

1. Summary of significant accounting policies (continued)

Pensions

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 MetCom's pension plan and additions to/ deductions from the Plan's fiduciary net pension have been determined on the same basis as they are reported in MetCom's financial statements. 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.

Capital assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the related assets, as follows:

Asset Class	Estimated Life
Utility plants	18 to 50 years
Water plant systems	18 to 50 years
Equipment	3 to 10 years
Capitalized interest	50 years
Buildings	20 to 30 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital contributions

Capital grants and contributions from federal and state governments are reported as capital contributions in the statements of revenues, expenses and changes in net position.

Donated assets consist principally of capital assets constructed by developers and subsequently donated to MetCom and reported as capital contributions. They are

1. Summary of significant accounting policies (continued)

Capital contributions (continued)

recorded at estimated fair value using developers' estimated costs to construct the assets. The capital assets and related capital contributions are recognized upon completion of construction.

Bond issue costs

Bond issue costs include legal fees, advertising, rating fees and other costs incurred when bonds were issued. The costs are expensed in the period that the bonds are issued.

2. Deposits and investments

Policy

Maryland law prescribes that local government units such as MetCom must deposit their cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits.

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP), which qualifies under the statutes.

Deposits

Of the bank balances, all of the CDARS deposits are covered by FDIC insurance. The other bank deposits were covered by $250,000 FDIC insurance at June 30, 2017 and 2016, with the remaining $6,635,825 and $15,188,132 respectively, adequately covered by collateral.

At June 30, 2017 and 2016, there were no deposits exposed to custodial credit risk, interest rate risk or foreign currency risk.

2. Deposits and investments (continued)

Deposits (continued)

MetCom has certificates of deposits that have been issued through the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows a banking customer to maintain federal depository insurance on balances in excess of the FDIC limit. Regulatory guidelines require that deposits placed through the CDARS program be considered brokered deposits. The cost and fair value of the CDARS broker deposits at June 30, 2017 and 2016 was $10,000,000 and $ -, respectively.

A summary of the terms for the certificate of deposits and the annual yield are as follows as of June 30, 2017:

Description	Effective Date	Maturity Date	Interest Rate	Balance
CDARS	04/13/17	07/13/17	1.00%	$ 1,000,000
CDARS	05/11/17	08/10/17	1.08%	750,000
CDARS	03/16/17	09/14/17	0.97%	750,000
CDARS	03/16/17	09/14/17	0.97%	1,000,000
CDARS	04/13/17	10/12/17	1.00%	750,000
CDARS	05/11/17	11/09/17	1.08%	750,000
CDARS	06/08/17	12/07/17	1.13%	750,000
CDARS	06/08/17	12/07/17	1.13%	1,000,000
CDARS	03/16/17	03/15/18	0.97%	750,000
CDARS	04/13/17	04/12/18	1.00%	750,000
CDARS	05/11/17	05/10/18	1.08%	1,000,000
CDARS	06/08/17	06/07/18	1.13%	750,000
Total				$ 10,000,000

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the

2. Deposits and investments (continued)

Investments (continued)

activities of the contractor quarterly and provide suggestions to enhance the return on investments.

The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAm by Standard and Poors. As of June 30, 2017 and 2016, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments at June 30, 2017 and 2016 was $7,317,042 and $7,279,196, respectively.

In FY 15, MetCom joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the "Trust"). There are nine members to this wholly-owned instrumentality of its members. The Trust is a common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. The assets of the Trust are managed by a Board of Trustees and consist of U.S. treasury obligations, U.S. government agencies, corporate & foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds and international equity securities.

At June 30, 2017 the net position of the Trust was valued at $28.4 million; MetCom's interest was $4.1 million. Contributions to the Trust Fund qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement No. 45 and the Trust Fund qualifies as a "trust or equivalent arrangement" under the meaning of GASB Statement No. 43. The Trust is audited annually by an independent CPA firm. Separately issued financial statements may be obtained by sending a request to the following address: Board of the MACo Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

MetCom categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3

2. Deposits and investments (continued)

Investments (continued)

measurements). The three levels of the fair value hierarchy are described below.

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

All equity investments and debt securities are classified in level 1 and are valued using prices quoted in active markets for those securities.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

MetCom may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

MetCom had the following deposits and investments, which were not subject to fair value disclosure leveling as they were reported at amortized cost, as of June 30,

	2017	2016
Investments - MLGIP	$ 7,317,042	$ 7,279,196
Broker deposits – CDARS	10,000,000	-
Cash	6,885,825	14,213,573
Petty cash	1,500	900
	$ 24,204,367	$ 21,493,669

3. Capital assets and depreciation

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets:				
Utility plants	$ 133,917,751	$ 12,980,624	$ 1,797,873	$ 145,100,502
Water plant systems	46,581,703	3,958,133	-	50,539,836
Equipment	8,761,275	572,629	43,726	9,290,178
Capitalized interest	818,201	-	-	818,201
Buildings	3,866,631	52,977	-	3,919,608
Subtotal	193,945,561	17,564,363	1,841,599	209,668,325
Not being depreciated:				
Utility plant CIP	7,908,508	7,191,948	12,980,624	2,119,832
Water plant CIP	7,239,322	5,212,944	3,958,133	8,494,133
Land and land rights	1,066,817	118,158	-	1,184,975
	210,160,208	30,087,413	18,780,356	221,467,265
Accumulated depreciation:				
Utility plants	39,933,186	3,818,021	1,797,873	41,953,334
Water plant systems	11,113,169	1,579,391	-	12,692,560
Equipment	6,132,004	667,818	43,726	6,756,096
Capitalized interest	351,826	16,364	-	368,190
Buildings	1,652,283	158,166	-	1,810,449
	59,182,468	6,239,760	1,841,599	63,580,629
Net capital assets	$ 150,977,740	$ 23,847,653	$ 16,938,757	$ 157,886,636

Depreciation expense of $6,239,760 was charged to activities as follows:

Sewer activities	$ 4,207,752
Water activities	1,915,596
Engineering activities	27,701
Administrative	88,711
Total	$ 6,239,760

3. Capital assets and depreciation (continued)

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets:				
Utility plants	$ 106,564,122	$ 34,658,356	$ 7,304,727	$ 133,917,751
Water plant systems	39,963,541	7,950,851	1,332,689	46,581,703
Equipment	8,468,753	603,249	310,727	8,761,275
Capitalized interest	818,201	-	-	818,201
Buildings	3,899,703	-	33,072	3,866,631
Subtotal	159,714,320	43,212,456	8,981,215	193,945,561
Not being depreciated:				
Utility plant CIP	28,372,251	14,194,613	34,658,356	7,908,508
Water plant CIP	9,015,154	6,175,018	7,950,850	7,239,322
Land and land rights	879,562	187,255	-	1,066,817
	197,981,287	63,769,342	51,590,421	210,160,208
Accumulated depreciation:				
Utility plants	40,413,276	6,824,637	7,304,727	39,933,186
Water plant systems	10,541,752	1,904,106	1,332,689	11,113,169
Equipment	5,744,218	698,513	310,727	6,132,004
Capitalized interest	335,462	16,364	-	351,826
Buildings	1,525,652	159,703	33,072	1,652,283
	58,560,360	9,603,323	8,981,215	59,182,468
Net capital assets	$ 139,420,927	$ 54,166,019	$ 42,609,206	$ 150,977,740

Depreciation expense of $9,603,323 was charged to activities as follows:

Sewer activities	$ 7,237,249
Water activities	2,224,072
Engineering activities	32,609
Administrative	109,393
Total	$ 9,603,323

4. Long-term debt

Long-term bonds payable as of June 30, 2017, are as follows:

Description	Due	Rate	Principal	Interest
Twenty-third Issue	2008-2027	3.5%-4.25%	$ 1,096,500	$ 66,751
Twenty-seventh Issue	2011-2030	0.75%-4.31%	9,026,300	2,750,969
Thirtieth Issue	2012-2029	2.96%-3.4%	1,044,592	215,520
Thirty-first Issue	2013-2032	0.61%-3.42%	6,852,900	1,808,097
Thirty-sixth Issue	2014-2033	4.31%	13,486,300	5,771,203
Thirty-eighth Issue	2015-2034	3.51%	19,507,500	6,985,727
Thirty-ninth Issue	2015-2021	1.31%	1,472,000	32,698
Fortieth Issue	2015-2027	2.08%	5,519,000	737,443
			58,005,092	18,368,408
Less current portion			3,880,834	1,945,893
Total			$ 54,124,258	$ 16,422,515

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2017 are as follows:

Year ending June 30,	Principal	Interest
2018 (current)	$ 3,880,834	$ 1,945,893
2019	3,968,206	1,861,366
2020	3,410,908	1,765,971
2021	3,446,339	1,681,952
2022	3,483,393	1,591,476
2023 – 2027	19,064,257	6,326,661
2028 – 2032	16,675,655	2,954,065
2033 – 2034	4,075,500	241,024
	$ 58,005,092	$ 18,368,408

4. Long-term debt (continued)

Long-term bonds payable as of June 30, 2016 are as follows:

Description	Due	Rate	Principal	Interest
Twenty-third Issue	2008-2027	3.5%-4.25%	$ 1,613,300	$ 130,404
Twenty-seventh Issue	2011-2030	0.75%-4.31%	9,570,300	3,117,424
Thirtieth Issue	2012-2029	2.96%-3.4%	1,115,402	248,994
Thirty-first Issue	2013-2032	0.61%-3.42%	7,231,900	2,004,537
Thirty-sixth Issue	2014-2033	4.31%	14,115,000	6,344,543
Thirty-eighth Issue	2015-2034	3.51%	20,428,000	7,627,183
Thirty-ninth Issue	2015-2021	1.31%	2,110,000	60,339
Fortieth Issue	2015-2027	2.08%	5,594,000	853,798
			61,777,902	20,387,222
Less current portion			3,772,809	2,018,814
Total			$ 58,005,093	$ 18,368,408

Twenty-third issue

On November 14, 2007, the Commission issued $10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). Total amount drawn on this loan was $10,101,170 as of June 30, 2017 and 2016.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5%-4.25%. Interest was payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

On August 6, 2015 MetCom refinanced $5,914,800 of this debt with TD bank.

4. Long-term debt (continued)

Twenty-seventh issue

On August 25, 2010, MetCom issued $12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017 and 2016, the unspent proceeds were $1,462,518 and $2,467,518, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2020. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of $1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

Period	Price
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

The bonds were issued to refund all of the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by $249,357 and to obtain an economic gain of $197,055.

4. Long-term debt (continued)

Thirty-first issue

On December 19, 2012, MetCom issued $8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017 and 2016, the unspent proceeds were $1,520,815 and $4,739,483, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-sixth issue

On October 2, 2013, MetCom issued $15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017 and 2016, the unspent proceeds were $10,133,836 and $10,701,202, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on November 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-eighth issue

On August 28, 2014, MetCom issued $22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017 and 2016, the unspent proceeds were $14,829,546 and $17,646,141, respectively.

4. Long-term debt (continued)

Thirty-eighth issue (continued)

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015, and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of $2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of $1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $102,135.

Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of $5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

4. Long-term debt (continued)

Fortieth issue (continued)

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $431,337.

Notes, leases and loans payable as of June 30, 2017 are as follows:

Description	Due	Rate	Principal	Interest	Undrawn
MD Water Quality Loan #15	2020	2.70%	$ 155,280	$ 16,599	$ -
MD Water Quality Loan #16	2023	1.20%	145,347	12,656	-
MD Water Quality Loan #18	2025	1.10%	2,009,386	200,980	-
MD Water Quality Loan #19	2024	1.10%	383,259	36,530	-
MD Water Quality Loan #20	2024	1.10%	350,447	27,902	-
MD Water Quality Loan #22	2027	1.10%	566,899	61,908	-
MD Water Quality Loan #25	2029	1.00%	124,439	14,885	-
MD Water Quality Loan #26	2030	1.00%	391,702	48,833	-
MD Water Quality Loan #28	2030	2.20%	323,007	71,548	-
MD Water Quality Loan #32	2034	1.80%	3,981,648	899,865	452,841
MD Water Quality Loan #33	2033	1.70%	339,001	69,325	-
MD Water Quality Loan #34	2035	2.10%	19,224,057	5,186,237	122,151
MD Water Quality Loan #35	2035	2.10%	4,806,014	1,296,578	30,539
MD Water Quality Loan #37	2034	2.00%	2,190,323	504,435	-
Leonardtown #41	2037	1.80%	1,705,500	435,932	-
			36,696,309	8,884,213	$ 605,531
Less current portion			2,117,498	849,288	
Total			$ 34,578,811	$ 8,034,925	

4. Long-term debt (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2017, are as follows:

Year ending June 30,	Principal	Interest
2018 (current)	$ 2,117,498	$ 849,288
2019	2,156,049	808,910
2020	2,195,341	769,566
2021	2,154,658	726,753
2022	2,098,732	682,976
2023 – 2027	10,233,659	2,779,549
2028 – 2032	9,901,803	1,734,438
2033 – 2037	5,838,569	532,733
	$ 36,696,309	$ 8,884,213

Notes, leases and loans payable as of June 30, 2016 are as follows:

Description	Due	Rate	Principal	Interest
Sixth Issue	2017	6.682%	$ 16,847	$ 1,126
MD Water Quality Loan #11	2017	4.26%	300,088	12,784
MD Water Quality Loan #15	2020	2.70%	204,343	24,830
MD Water Quality Loan #16	2023	1.20%	178,152	16,387
MD Water Quality Loan #18	2025	1.10%	2,248,418	238,243
MD Water Quality Loan #19	2024	1.10%	435,653	44,105
MD Water Quality Loan #20	2024	1.10%	442,050	37,425
MD Water Quality Loan #22	2027	1.10%	629,643	72,317
MD Water Quality Loan #25	2029	1.00%	134,174	16,782
MD Water Quality Loan #26	2030	1.00%	419,786	54,636
MD Water Quality Loan #28	2030	2.20%	344,273	80,633
SunTrust Bank Loan #29	2016	2.03%	23,700	120
MD Water Quality Loan #32	2034	1.80%	4,083,306	961,910
MD Water Quality Loan #33	2033	1.70%	357,305	76,542
MD Water Quality Loan #34	2035	2.10%	18,750,200	5,305,375
MD Water Quality Loan #35	2035	2.10%	4,687,550	1,326,363
MD Water Quality Loan #37	2034	2.00%	2,306,445	557,823
Leonardtown #41	2037	1.80%	1,705,500	459,069
			37,267,433	9,286,470
Less current portion			2,272,418	844,453
Total			$ 34,995,015	$ 8,442,017

4. Long-term debt (continued)

As of June 30, 2017, MetCom has fourteen loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eleven of $4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for $835,000 was drawn during the year ended June 30, 2000 for the purpose of financing an office building for the administrative use of MetCom. Loan number sixteen for $567,680 was used to upgrade the Leonardtown Wastewater Treatment Plant. Loan number eighteen for $4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for $976,700 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for $1,466,576 was for water meter installations. Loan number twenty-two for $1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for $191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for $582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for $443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of $4,874,202 is for the Radio Read Meter Project. As of June 30, 2017 and 2016, MetCom had drawn $4,421,361 and $4,301,706 of the proceeds, respectively. Loan number thirty-three in the amount of $394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the amount of $21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of $5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2017 and 2016, MetCom has drawn $26,200,310 and $24,511,594 of the proceeds, respectively, on loans thirty-four and thirty-five. Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.

Loan number twenty-nine is with SunTrust Bank in the amount of $270,682 at an interest rate of 2.03%. Payments are made monthly on this loan from December 2011 through November 2016. The proceeds of this loan were used to purchase a Vactor truck. Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project.

4. Long-term debt (continued)

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
Bonds payable	$ 61,777,902	$ -	$ 3,772,810	$ 58,005,092	$ 3,880,834
Notes, leases and loans payable	37,267,433	1,808,371	2,379,495	36,696,309	2,117,498
Total long-term debt	$ 99,045,335	$ 1,808,371	$ 6,152,305	$ 94,701,401	$ 5,998,332

The changes in long-term debt payable for the year ended June 30, 2016 were as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 65,166,391	$ 7,776,000	$ 11,164,489	$ 61,777,902	$ 3,772,809
Notes, leases and loans payable	29,201,907	10,428,666	2,363,140	37,267,433	2,272,418
Total long-term debt	$ 94,368,298	$ 18,204,666	$ 13,527,629	$ 99,045,335	$ 6,045,227

5. Restricted net assets

Net assets are restricted for the repayment of the following:

a. Collection of fees for a sinking fund to upgrade the capacity of the main sewage treatment plant at Marley-Taylor WRF are restricted for that purpose. The amount restricted at June 30, 2017 and 2016 is $707,104.

b. The Board has restricted net assets per agreement with customers for upgrades and replacements to their water and sewer systems. The amount restricted at June 30, 2017 and 2016 is $130,894.

5. Restricted net assets (continued)

c. The Capital Project Upgrade funds are reserved for the replacement and upgrade of water and sewer facilities. These funds are restricted by law for that purpose. The balance as of June 30, 2017 and 2016 was $8,910,685 and $8,597,171, respectively.

d. The Capital Project New Services funds are reserved for the construction of facilities to serve new customers. These funds are restricted by law for that purpose. The balance as of June 30, 2017 and 2016 was $2,174,136 and $1,867,365, respectively.

6. Retirement and pension plan

Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

Maryland State Pension Systems

Effective July 1, 2004, MetCom joined the Maryland State Retirement and Pension System. Under the terms of entry into the system, MetCom will grant 100% credit for prior service of eligible employees. The actuarial cost of entry into the Maryland State Retirement and Pension System for service prior to June 30, 2004 was $3,392,774. All qualified career employees of MetCom are required to join the Maryland State Employees' Pension 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 to provide provisions for retirement, death and disability benefits. The Plan is a cost-sharing multiple-employer public employee retirement system. The plan issues a stand-alone financial report that may be obtained at the following website: www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2016.pdf

6. Retirement and pension plan (continued)

Benefit terms

All plan benefits are established by, and may be amended by changes to, the State Personnel and Pensions Article of the Annotated Code of Maryland. Participants hired prior to July 1, 2011 become eligible for a vested retirement allowance after 5 years' service. Participants hired on or after July 1, 2011 become vested for a retirement allowance after 10 years' service. For members in the plan prior to July 1, 2011, pensions normally start at age 62 or after 30 years' service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest consecutive three years' pay; the benefit multiplier will be 1.2% for years of credit earned up to June 30, 1998 and 1.8% for years of earned credit after June 30, 1998. Cost of living increases are limited to 3% per annum. For members enrolled on and after July 1, 2011, vesting will require ten years of eligibility service; service retirement will be at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement will be age 60 with 15 years of eligibility service; average final compensation will be a five year average; the benefit multiplier per year will be 1.5%; and, cost of living adjustments on all benefits will be the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.

Contributions

The State Personnel and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the Pension Systems were required to contribute 7% of earnable compensation for the years ended June 30, 2017 and 2016.

Contribution rates for employer and other “nonemployer” contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

6. Retirement and pension plan (continued)

Contributions (continued)

The unfunded actuarial liability (UAAL) was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amortized over a single closed 25-year period.

The State of Maryland, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and more than 150 participating governmental units make all of the employer and other contributions to the System.

MetCom's contribution to the System was $456,447 and $419,241 for the years ended June 30, 2017 and 2016, respectively.

Actuarial assumptions

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.7% general, 3.2% wage
Salary Increases	3.3%-9.2%, including wage inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

Asset allocation

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

6. Retirement and pension plan (continued)

Asset allocation (continued)

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

Discount rate

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

Sensitivity of the net pension liability

The following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan'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:

(Expressed in thousands)			
	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
Total System Net Pension Liability	$11,962,762	$9,013,117	$6,524,209

6. Retirement and pension plan (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017 and 2016, MetCom reported a liability of $5,077,598 and $4,394,022, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2017 and 2016, MetCom's proportion was .02152% and .02114%, respectively.

For the year ended June 30, 2017, MetCom recognized pension expense of $813,654, and 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
Changes in assumptions	$ 227,712	$ -
Net difference between projected and actual investment earnings	483,152	-
Difference between actual and expected experience	-	134,418
Contributions subsequent to measurement date	456,447	-
Total	$ 1,167,311	$ 134,418

The $456,447 reported as deferred outflows of resources related to pensions resulting from MetCom contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The $227,712 from the change in assumptions, and the $134,418 from the difference

6. Retirement and pension plan (continued)
Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

between actual and expected experience, will be amortized over the service life of all employees and the net difference between projected and actual earnings, $483,152, will be amortized over a five-year period as follows:

Year ending June 30,	Deferred Outflows of Resource	Deferred Inflows of Resources
2018	$ 156,731	$ 11,201
2019	$ 156,731	$ 11,201
2020	$ 144,392	$ 11,201
2021	$ 117,653	$ 11,201
2022 and thereafter	$ 135,357	$ 89,614

7. Other post-employment benefits (OPEB)

Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.1% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007 range from 21.25% with 15 years service to 85% with 30 years service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

MetCom's OPEB Plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government

7. Other post-employment benefits (continued)

Plan description (continued)

Investment Pool, and the Maryland Association of Counties (MACo) OPEB Trust. The Trust does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or of another entity.

At June 30 membership consisted of:

	2017	2016	2015
Retirees and Beneficiaries Currently Receiving Benefits	10	10	10
Active Employees	71	71	67
Total	81	81	77

MetCom's Board determines how much is contributed to the OPEB Trust as part of the budget process. It is MetCom's intention to fully fund the OPEB cost each year. The FY 2017 Operating Budget included fully funding the OPEB cost. MetCom's annual other post-employment 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 the GASB Codification. 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 of thirty years. MetCom contributed $526,000 and $507,000 to the trust in FY 2017 and FY 2016, respectively. The Net OPEB Obligation is overpaid by $300,388 as of June 30, 2017.

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. Assets are allocated 85% and 82%, respectively, in the MACo OPEB Trust as of June 30, 2017 and 2016.

For the year ended June 30, 2017, the annual money-weighted rate of return of the MACo OPEB trust investments, net of the MACo OPEB trust expense was 6.08%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Other post-employment benefits (continued)

Net OPEB liability

The components of the net OPEB liability of MetCom at June 30, 2017 were;

Total OPEB liability	$ 8,367,000
Plan fiduciary net position	(4,833,876)
Net OPEB liability	$ 3,533,124
Plan fiduciary net position as a percentage Of the total OPEB liability	57.77%

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 with data rolled forward to June 30, 2017. In the November 13, 2014 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method for GASB 45, and the Entry Age Normal (EAN) cost method as required by GASB 74. The EAN actuarial cost method requires a salary scale assumption; we used the State of Maryland salary scale assumption for general employees. The actuarial assumptions included a 7% annual rate of return. The medical cost trend varied between 6.5% and 4.2% using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The rates include a 2.5% rate of inflation assumption.

The following table presents the Commission's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$6,954,000	$8,367,000	$10,199,000
Net OPEB Liability/(Asset)	$2,106,043	$3,533,124	$5,351,043

The long-term nominal expected rate of return on OPEB plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. Spread and the risk free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts. The arithmetic real rates of return for the MACo OPEB Trust as of June 30, 2017 was 6.68%.

7. Other post-employment benefits (continued)

Net OPEB liability (continued)

The discount rate used to measure the total OPEB liability was 6.68%. The projection of cash flows used to determine this discount rate assumed that MetCom contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the Commission's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher, than the 6.68% discount rate.

	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Total OPEB Liability	$9,883,000	$8,367,000	$7,158,000
Net OPEB Liability/(Asset)	$5,035,043	$3,533,124	$2,310,043

Annual OPEB costs and net OPEB obligation

The following table shows the components of MetCom's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in MetCom's net OPEB obligation:

	2017	2016
Annual Required Contribution	$ 526,000	$ 508,000
Interest on NOPEBO	(21,000)	(21,000)
Adjustment to ARC	21,000	20,000
Annual OPEB Cost	526,000	507,000
Contributions Made	526,000	507,000
NOPEBO, (Prepaid) Beginning of Year	$ (300,388)	$ (300,388)
NOPEBO, (Prepaid) End of Year	$ (300,388)	$ (300,388)

7. Other post-employment benefits (continued)

Funded status and funding progress

As of July 1, 2016, the plan was 61.25% funded. The actuarially accrued liability for benefits was $7,386,000, and the actuarial value of assets was $4,524,000, resulting in an unfunded actuarial accrued liability (UAAL) of $2,862,000. The covered payroll (annual payroll of active employees covered by the plan) was $5,194,244, and the ratio of UAAL to the covered payroll was 55.10%. 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions 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 as required supplemental information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. Rate setting

MetCom is required by law to set rates which are sufficient to cover both operating expenses and debt service. Depreciation of the plant and collection systems is not an allowable cost for purposes of setting rates. A reconciliation of the results of operations for financial reporting and rate-setting purposes is as follows:

	Years ended June 30, 2017	2016
Change in net position – per financial statements	$ 3,670,171	$ 1,026,123
Add:		
Depreciation – facilities	5,691,584	8,991,911
Pension accrual	343,869	410,921
Less:		
Principal payment on capital debt	(6,231,799)	(5,533,229)
Repayment of internal pension loan	(113,092)	(113,092)
Capital contributions	(1,252,176)	(3,632,156)
Excess or (deficiency) of revenue over expenses – rate-setting method	$ 2,108,557	$ 1,150,478

9. Risk management

MetCom 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 related disasters. MetCom is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During FY 2017 and FY 2016, MetCom paid premiums of $130,645 and $115,861, respectively, to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any, resulting from these risks have not exceeded commercial coverage in the past fiscal year.

10. Subsequent events

In preparing these financial statements, MetCom has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, the date the financial statements were available to be issued.

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018. MetCom has begun analyzing the effects of this pronouncement which is expected to have a material effect on MetCom's financial statements. MetCom expects implementation of GASB Statement No. 75, to reduce the beginning net position by approximately $3.5 million in fiscal year 2018.

REQUIRED SUPPLEMENTAL INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

INFORMATION ABOUT PENSION PLAN

JUNE 30, 2017 AND 2016

Maryland State Retirement and Pension Plan

Schedule of net pension liability and related ratios

Date	Proportion of Collective NPL (a)	Proportionate Share of Collective NPL (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Collective)
06/30/15	0.01922%	$ 3,411,505	$ 4,580,188	74.48%	71.87%
06/30/16	0.02114%	$ 4,394,022	$ 4,914,900	89.40%	68.78%
06/30/17	0.02152%	$ 5,077,598	$ 5,251,620	96.69%	65.79%

Schedule of contributions and related ratios

Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/15	$ 445,653	$ 445,653	$ -	$ 4,580,188	9.73%
06/30/16	$ 419,241	$ 419,241	$ -	$ 4,914,900	8.53%
06/30/17	$ 456,447	$ 456,447	$ -	$ 5,251,620	8.69%

MetCom implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for prior years is not available.

Changes in benefit terms

There were no benefit changes during the year.

Changes in assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2016 valuation:

- Inflation assumption changed from 2.90% to 2.70%

Method and assumptions used in calculations of actuarially determined contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% including inflation
Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

ST. MARY'S COUNTY METROPOLITAN COMMISSION

INFORMATION ABOUT OTHER POST-EMPLOYMENT BENEFIT PLAN

JUNE 30, 2017 AND 2016

Schedule of Funding Progress for the MetCom Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
07/01/07	$ -	$ 4,331,000	$ 4,331,000	0.00%	$ 3,400,838	127.35%
07/01/08	$ 752,000	$ 4,873,000	$ 4,121,000	15.43%	$ 3,724,636	110.64%
07/01/09	$ 1,219,000	$ 3,989,000	$ 2,770,000	30.56%	$ 3,670,430	75.47%
07/01/10	$ 1,563,818	$ 4,476,000	$ 2,912,182	34.94%	$ 3,851,158	75.62%
07/01/11	$ 2,054,000	$ 5,920,000	$ 3,866,000	34.70%	$ 4,162,094	92.89%
07/01/12	$ 2,344,114	$ 6,518,000	$ 4,173,886	35.96%	$ 4,319,527	96.63%
07/01/13	$ 2,957,000	$ 6,595,000	$ 3,638,000	44.84%	$ 4,320,628	84.20%
07/01/14	$ 3,575,000	$ 7,238,000	$ 3,663,000	49.39%	$ 4,911,310	74.58%
07/01/15	$ 3,908,000	$ 6,763,000	$ 2,855,000	57.79%	$ 5,195,578	54.95%
07/01/16	$ 4,524,000	$ 7,386,000	$ 2,862,000	61.25%	$ 5,194,244	55.10%

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions	Annual OPEB Cost	Percentage Contributed
06/30/08	$ 801,984	$ 518,000	154.82%
06/30/09	$ 514,000	$ 514,000	100.00%
06/30/10	$ 405,000	$ 405,000	100.00%
06/30/11	$ 431,000	$ 431,000	100.00%
06/30/12	$ 538,000	$ 538,000	100.00%
06/30/13	$ 596,404	$ 580,000	102.83%
06/30/14	$ 550,000	$ 550,000	100.00%
06/30/15	$ 573,000	$ 573,000	100.00%
06/30/16	$ 507,000	$ 507,000	100.00%
06/30/17	$ 526,000	$ 526,000	100.00%

ST. MARY'S COUNTY METROPOLITAN COMMISSION

INFORMATION ABOUT OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

JUNE 30, 2017 AND 2016

Schedule of Changes in MetCom's Net OPEB Liability and Related Ratios

	2017
Total OPEB liability	
Service Cost	$ 229,000
Interest Cost	515,000
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	91
Changes of Assumptions	-
Benefit Payments	(151,091)
Net Change in Total OPEB Liability	593,000
Total OPEB liability - Beginning of Year	7,774,000
Total OPEB Liability - End of Year	$ 8,367,000

Plan Fiduciary Net Position

	2017
Contributions - Employer	$ 526,000
Net Investment Income	355,510
Benefit Payments	(151,090)
Administrative Expense	(26,918)
Net Change in Fiduciary Net Position	703,502
Fiduciary Net Position - Beginning of Year	4,130,374
Fiduciary Net Position - End of Year	4,833,876
Net OPEB Liability	3,533,124
Fiduciary Net Position as a % of Total OPEB Liability	57.77%
Covered-Employee Payroll	$ 5,194,244
Net OPEB Liability as a % of Payroll	68.02%
Expected Average Remaining Service Years of All Participants	9

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: Retirement, termination, and disability assumptions were updated to the most recent tables by the State of Maryland Pension Plan.

Discount rate:

06/30/17 6.68%

ST. MARY'S COUNTY METROPOLITAN COMMISSION

INFORMATION ABOUT OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

JUNE 30, 2017 AND 2016

Schedule of Contributions and Related Ratios

Date	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/08	$ 518,000	$ 801,984	$ (283,984)	$ 3,400,838	23.58%
06/30/09	$ 514,000	$ 514,000	$ -	$ 3,724,636	13.80%
06/30/10	$ 405,000	$ 405,000	$ -	$ 3,670,430	11.03%
06/30/11	$ 431,000	$ 431,000	$ -	$ 3,851,158	11.19%
06/30/12	$ 538,000	$ 538,000	$ -	$ 4,162,094	12.93%
06/30/13	$ 580,000	$ 596,404	$ (16,404)	$ 4,319,527	13.81%
06/30/14	$ 550,000	$ 550,000	$ -	$ 4,320,628	12.73%
06/30/15	$ 573,000	$ 573,000	$ -	$ 4,911,310	11.67%
06/30/16	$ 507,000	$ 507,000	$ -	$ 5,195,578	9.76%
06/30/17	$ 526,000	$ 526,000	$ -	$ 5,194,244	10.13%

Schedule of Investment Returns

	2017
Annual money-weighted rate of return, net of investment expense	6.08%

OTHER SUPPLEMENTAL INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF DEPARTMENTAL ALLOCABLE OPERATING AND NONOPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2017

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 8,520,438	$ 4,716,054	$ 158,935	$ 13,395,427
Miscellaneous	158,398	144,111	59,975	362,484
Total operating revenue	8,678,836	4,860,165	218,910	13,757,911
Operating expenses:				
Direct operating expenses	4,906,614	2,241,116	515,618	7,663,348
Administrative expenses	3,319,713	1,779,012	443,367	5,542,092
Total operating expenses	8,226,327	4,020,128	958,985	13,205,440
Operating income (loss) before depreciation	452,509	840,037	(740,075)	552,471
Depreciation	(4,207,752)	(1,915,596)	(27,701)	(6,151,049)
Operating loss	(3,755,243)	(1,075,559)	(767,776)	(5,598,578)
Allocable nonoperating revenue (expense):				
Interest income	7,569	1,892	-	9,461
Debt service charges	5,988,005	4,141,400	-	10,129,405
House connection charges - net	-	(2,474)	-	(2,474)
Debt service - interest and finance charges	(1,570,665)	(795,907)	-	(2,366,572)
Total allocable nonoperating revenue	4,424,909	3,344,911	-	7,769,820
Total allocable net income (loss)	$ 669,666	$ 2,269,352	$ (767,776)	2,171,242
Nonallocable revenue:				
Interest income				106,255
Other fees				140,498
Total nonallocable revenue				246,753
Capital contribution				1,252,176
Change in fund net position				$ 3,670,171

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF DEPARTMENTAL ALLOCABLE OPERATING AND NONOPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2016

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 8,264,031	$ 4,464,277	$ 201,833	$ 12,930,141
Miscellaneous	41,367	165,756	27,682	234,805
Total operating revenue	8,305,398	4,630,033	229,515	13,164,946
Operating expenses:				
Direct operating expenses	4,514,508	2,327,358	548,277	7,390,143
Administrative expenses	3,221,655	1,676,522	357,377	5,255,554
Total operating expenses	7,736,163	4,003,880	905,654	12,645,697
Operating income (loss) before depreciation	569,235	626,153	(676,139)	519,249
Depreciation	(7,237,249)	(2,224,072)	(32,609)	(9,493,930)
Operating loss	(6,668,014)	(1,597,919)	(708,748)	(8,974,681)
Allocable nonoperating revenue (expense):				
Interest income	1,537	384	-	1,921
Debt service charges	5,317,685	3,323,199	-	8,640,884
House connection charges - net	-	30,913	-	30,913
Debt service - interest and finance charges	(1,402,092)	(1,069,336)	-	(2,471,428)
Total allocable nonoperating revenue	3,917,130	2,285,160	-	6,202,290
Total allocable net income (loss)	$ (2,750,884)	$ 687,241	$ (708,748)	(2,772,391)
Nonallocable revenue:				
Interest income				24,862
Other fees				141,496
Total nonallocable revenue				166,358
Capital contribution				3,632,156
Change in fund net position				$ 1,026,123

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF SERVICE CHARGES AND DIRECT OPERATING EXPENSES

YEAR ENDED JUNE 30, 2017

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 7,120,310	$ 4,501,418	$ -	$ 11,621,728
Service charge - nonmetered	1,243,739	164,576	-	1,408,315
Septage haul revenue	156,389	-	-	156,389
Water meter installation	-	9,660	-	9,660
Review fees	-	-	51,222	51,222
Inspection fees	-	-	102,963	102,963
Residential tap fee sewer	-	-	4,750	4,750
Cut-on cut-off fees	-	40,400	-	40,400
Total service charges	$ 8,520,438	$ 4,716,054	$ 158,935	$ 13,395,427
Direct operating expenses:				
Salaries	$ 2,432,440	$ 1,062,264	$ 666,774	$ 4,161,478
Chemicals	368,641	112,546	-	481,187
Contractual employees	14,168	-	1,296	15,464
Employee physicals/uniforms	16,477	4,986	1,500	22,963
Employee training	21,052	3,184	3,233	27,469
Lab/soil testing	12,431	-	-	12,431
Leonardtown - treatment plant	259,880	-	-	259,880
Maintenance	474,722	381,627	1,287	857,636
Materials and supplies	83,934	59,842	7,096	150,872
Miscellaneous	15,796	11,505	1,878	29,179
Oil and gas	80,167	5,515	742	86,424
Power	701,848	515,076	5,009	1,221,933
Professional fees	1,810	-	11,772	13,582
Safety supplies	21,710	4,949	-	26,659
Sludge removal	199,862	-	-	199,862
Telephone	53,347	9,048	12,531	74,926
Tools purchased	13,474	7,248	-	20,722
Vehicle operating and mileage	134,855	48,543	18,355	201,753
Water testing	-	19,846	-	19,846
Recovery of costs	-	(5,063)	(215,855)	(220,918)
Total direct operating expenses	$ 4,906,614	$ 2,241,116	$ 515,618	$ 7,663,348

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF SERVICE CHARGES AND DIRECT OPERATING EXPENSES

YEAR ENDED JUNE 30, 2016

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 6,891,075	$ 4,246,746	$ -	$ 11,137,821
Service charge - nonmetered	1,222,203	168,581	-	1,390,784
Service charge - ready-to-serve	-	-	-	-
Septage haul revenue	150,753	-	-	150,753
Water meter installation	-	15,420	-	15,420
Review fees	-	-	57,950	57,950
Inspection fees	-	-	142,383	142,383
Residential tap fee sewer	-	-	1,500	1,500
Cut-on cut-off fees	-	33,530	-	33,530
Total service charges	$ 8,264,031	$ 4,464,277	$ 201,833	$ 12,930,141
Direct operating expenses:				
Salaries	$ 2,326,080	$ 1,055,320	$ 749,175	$ 4,130,575
Chemicals	216,501	104,413	-	320,914
Contractual employees	21,722	-	13,051	34,773
Employee physicals/uniforms	24,788	6,955	2,722	34,465
Employee training	16,925	4,855	8,173	29,953
Lab/soil testing	11,400	-	-	11,400
Leonardtown - treatment plant	202,722	-	-	202,722
Maintenance	588,524	492,224	505	1,081,253
Materials and supplies	90,063	53,692	11,094	154,849
Meter reading expense	-	7,965	-	7,965
Miscellaneous	14,694	10,549	1,557	26,800
Oil and gas	49,803	3,627	66	53,496
Power	584,176	501,288	4,948	1,090,412
Professional fees	2,309	-	22,491	24,800
Safety supplies	22,596	11,254	-	33,850
Sludge removal	146,056	-	-	146,056
SSO fines and penalties	32,500	-	-	32,500
Telephone	48,504	10,644	12,072	71,220
Tools purchased	12,999	5,917	-	18,916
Vehicle operating and mileage	105,350	45,431	12,499	163,280
Water testing	-	21,979	-	21,979
Recovery of costs	(3,204)	(8,755)	(290,076)	(302,035)
Total direct operating expenses	$ 4,514,508	$ 2,327,358	$ 548,277	$ 7,390,143

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULES OF ADMINISTRATIVE EXPENSES

	Years ended June 30, 2017	2016
Administrative expenses:		
Accounting	$ 17,360	$ 16,920
Advertising	14,172	17,772
Bond fees	1,370	775
Commissioners' salaries	14,500	12,500
Computer services	100,795	96,662
Consulting	62,182	23,478
Contractual employees	49,442	99,676
Depreciation	88,711	109,393
Dues and subscriptions	8,648	10,148
Electric	12,063	11,644
Employee training	16,274	21,077
Hospitalization and disability	1,769,725	1,581,631
Insurance	286,174	241,621
Legal	124,788	-
Mileage and travel	4,071	3,730
Miscellaneous	5,867	5,899
Office and administrative salaries	1,383,475	1,397,033
Office supplies and expenses	108,061	105,560
On-line fees	95,816	82,107
Payroll taxes	424,548	430,360
Postage expense	98,734	95,747
Retirement	813,654	841,778
Telephone and fax	53,484	52,307
Temporary labor	-	4,809
Tuition reimbursement	(1,500)	1,924
Recovery of costs	(10,322)	(8,997)
Total administrative expenses	$ 5,542,092	$ 5,255,554
Allocated to services as follows:		
Sewer 59.9% and 61.3%	$ 3,319,713	$ 3,221,655
Water 32.1% and 31.9%	1,779,012	1,676,522
Engineering 8.0% and 6.8%	443,367	357,377
	$ 5,542,092	$ 5,255,554

Murphy & Murphy, CPA, LLC
Certified Public Accountants

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

To the Commissioners of
St. Mary's County Metropolitan Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of St. Mary's County Metropolitan Commission, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise St. Mary's County Metropolitan Commission's basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Mary's County Metropolitan Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Mary's County Metropolitan Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Mary's County Metropolitan Commission's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Mary's County Metropolitan Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
October 30, 2017

Description and Location:	The City of Westminster, located in Carroll County, MD was founded in 1764. It is located approximately 23 miles south east of Gettysburg, PA and 36 miles north west of Baltimore, MD.
Population:	18,671 (July 2016 estimate)

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergov-ernmental Revenues	Total Service Charges	Total Fines & For-feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2017	$12,058,463	$606,307	$2,398,685	$775,162	$141,900	$416,321	$0	$16,396,838
2016	$12,250,655	$525,888	$2,400,885	$598,033	$222,351	$576,212	$0	$16,574,024
2015	$11,943,094	$534,138	$2,497,041	$672,497	$201,140	$241,336	$0	$16,089,246
2014	$11,664,491	$522,592	$2,395,962	$578,867	$189,268	$82,005	$63,367	$15,496,552
2013	$11,823,982	$495,625	$1,516,552	$732,551	$177,913	$289,611	$60,045	$15,096,279

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2017	$1,434,868	$4,507,196	$3,992,953	$1,159,690	$104,739	$67,219	$531,402	$2,947,980	$14,746,047
2016	$1,673,311	$4,315,853	$4,053,295	$801,151	$92,465	$77,947	$539,639	$2,814,400	$14,368,061
2015	$3,573,431	$4,299,775	$3,546,708	$795,831	$527,379	$0	$540,609	$2,779,357	$16,063,090
2014	$1,352,374	$4,000,263	$4,810,626	$750,296	$267,605	$52,531	$518,384	$2,684,097	$14,436,176
2013	$1,388,134	$4,241,474	$4,108,919	$720,969	$257,021	$50,296	$539,222	$2,276,218	$13,582,253

Assets & Liabilities:

	2017	2016	2015	2014	2013
Cash and Investments	$17,676,937	$15,948,959	$13,251,612	$12,637,384	$11,284,355
Total Assets	$19,043,460	$17,470,787	$15,036,340	$14,021,491	$12,162,927
Total Liabilities	$3,862,619	$3,830,737	$3,149,183	$2,085,494	$1,218,306
Total Fund Balance	$15,180,841	$13,640,050	$11,887,157	$11,935,997	$10,944,621
Unreserved/ Unassigned Fund Balances	$12,637,073	$10,890,680	$9,336,836	$8,172,376	$7,138,834

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Taxable Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$1,654,579,180	0.5600	$9,265,643	$9,205,247	$60,396
2016	$1,624,926,654	0.5600	$9,099,589	$904,660	$52,981
2015	$1,611,915,020	0.5600	$9,026,724	$8,913,834	$112,890
2014	$1,601,971,572	0.5600	$8,971,041	$8,862,271	$108,770
2013	$1,582,197,544	0.5700	$9,018,526	$8,943,095	$75,431

City of Westminster cont.

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Taxable Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$48,931,660	0.1064	$520,633	$487,271	$33,362
2016	$51,561,410	0.1064	$548,613	$528,657	$19,956
2015	$42,844,160	0.1064	$455,862	$455,862	$0
2014	$1,061,512	0.1100	$11,677	$10,727	$950
2013	$1,373,090	0.1100	$15,104	$14,844	$260

Property Taxes and Taxes Receivable: Railroads, and Public Utilities

	Total assessed Value of Taxable Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	$14,511,170	0.1364	$197,932	$197,932	$0
2016	$17,097,090	0.1364	$233,204	$233,204	$0
2015	$17,456,990	0.1364	$238,113	$238,113	$0
2014	$17,708,228	0.1100	$194,791	$194,791	$0
2013	$17,695,545	0.1100	$194,651	$194,651	$0

CITY OF
WESTMINSTER,
MARYLAND

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2017

CITY OF WESTMINSTER, MARYLAND

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Prepared by the Department of Finance

City of Westminster, Maryland

CITY OF WESTMINSTER, MARYLAND

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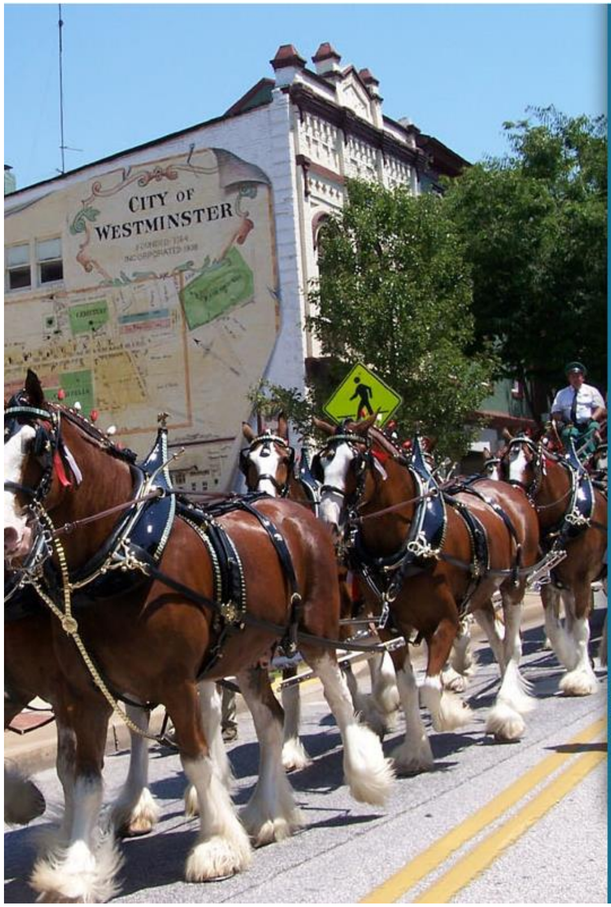
Introductory Section



CITY OF WESTMINSTER
56 West Main Street
Westminster, Maryland 21157

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(410) 848-9000
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November 30, 2017

The Honorable Mayor and Common Council
and the Citizens of the City of Westminster:

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

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

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

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

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

Profile of the Government

Westminster was founded in 1764 by William Winchester of England. Winchester originally named his planned community "Winchester's Town." The community changed its name to Westminster in 1768 because mail was frequently mistakenly delivered to nearby Winchester, Virginia.

In 1764, Winchester located Westminster on one of the three main western-bound routes in what we now know as Carroll County. Today, these routes are known as Route 30, Route 140, and Route 26. These roadways were critical for the economic expansion of the fledgling colony of Maryland. Winchester established Westminster ten miles - one day's travel - between Reisterstown and Taneytown, Maryland. This resulted in Westminster quickly establishing hotels, eating establishments, and provisioning stores.

Westminster's first settlers were predominately Germans and Scotch-Irish, who moved to the Westminster area from southern Pennsylvania. Much of the early industry was agriculture, tanning, banking, and a wide variety of merchants and craftsmen. Hotels and restaurants were also an important part of local commerce, catering to westward bound travelers well into the late 1800s.

According to "What Ever Happened to our Hotels," written by former Historical Society curator Lillian Shipley in September 1971, as late as "around the turn of the (20th) century Westminster had 7 churches, 7 hotels, and 18 saloons." "The hotels (were the) Eastern or East End, the Main Court, the Central, the Westminster (Charles Carroll Hotel,) the Albion, the Montour House, and the Anchor."

Originally, Westminster sat on the boundary line between Frederick and Baltimore Counties. In 1837, Carroll County was created from portions of Frederick and Baltimore Counties.

Until a formal organized municipal government was adopted in 1818, the Union Meeting House, and its board of trustees, was utilized as a "governing body" for the early settlers. Westminster was originally incorporated in 1818 and provided for the community to be governed by a burgess and six commissioners elected annually. The 1818 incorporation also consolidated three adjoining towns into one town called Westminster: Westminster, New London, and Winter's Addition to Westminster. From the initial incorporation passed by the Maryland General Assembly in Chapter 128, Acts of 1818, through a subsequent incorporation in 1830, until 1856, Westminster had a Burgess and Commissioner form of government. The first "Mayor" of the City of Westminster was Francis Shriver, who served from 1856 to 1858.

Of note is that Westminster was not recognized as a "city" until the 1838 charter - incorporation was amended by Chapter 335 of the Acts of the Maryland General Assembly of 1856. This action re-characterized the municipality as a "city" and changed the titles of the elected officials to the Mayor and Common Council of Westminster.

The year after Carroll County was formed in 1837, Westminster was re-incorporated and made the county seat because of the aggressive advocacy of its citizens and because of Westminster's central location. Carroll County is the birthplace of Methodism in America and is near the home of Francis Scott Key, the author of our national anthem. The first countywide rural free delivery of mail started in Westminster in the late 1890s.

Today, Westminster is an exciting community of approximately 19,000 citizens. It has grown from its humble beginnings of 0.745 square miles to its current size of 6.55 square miles. It is located strategically in the rolling countryside foothills of the Blue Ridge Mountains, 30 miles northwest of Baltimore, Maryland and 60 miles north of Washington, D.C. Westminster is the county seat of Carroll County and is located in the middle of the county.

Westminster is governed by a Mayor and a five-member Common Council. The Mayor and Common Council Members are elected at large and serve staggered elected terms of four years each. The City Administrator oversees the day-to-day operations of the City government, assisted by the directors of each department. Westminster has a full-time equivalent staff of 162 employees.

Westminster residents enjoy a high quality of life, with easy access to parks, recreational activities, places of religious worship, and meaningful employment. The community has a low crime rate. The Carroll County Public School System consistently ranks as one of the best in Maryland.

Local Economy

Westminster is steeped in tradition and history, but progressive when it comes to technology and business development. As the county seat of Carroll County, Westminster is the center of a fast growing commercial and industrial base, with a strong manufacturing base located in the industrially zoned parcels near the County's only airport. Knorr Brake, FR Conversions, and Advanced Thermal Batteries moved to the industrial center in 2015. The Strouese Corporation purchased lots in 2016.

The City's retail spaces include large box retail along major thoroughfares and a mall. Downtown Westminster provides a unique shopping, dining, and cultural experience in a small town atmosphere; the Main Street area is pedestrian friendly, with wide sidewalks, mature shade trees, and brick crosswalks. The City hosts numerous downtown events, including Fall fest, the Miracle on Main holiday parade, the Celtic Canter, the Flower and Jazz Festival, a summer concert series, and numerous 5k runs. The City's renovation of the historic Carroll Theater into the Carroll Arts Center established Westminster as an emerging cultural heritage and arts destination.

Three of the City's largest employers are public sector agencies - Carroll County government, Carroll County Public Schools, and the City itself.

Westminster is also home to McDaniel College, formally known as Western Maryland College. This nationally ranked liberal arts college was chartered in 1868.

Westminster's median household income in 2017 was $55,122 and its median house value was $233,045. The estimated per capita income in 2017 was $27,326.

Long-term Financial Planning

Real Property Tax Rate

The real property tax rate is set by the Mayor and Common Council annually during the adoption of the budget. For fiscal year 2017, the Mayor and Council adopted a real property tax rate of $0.56 per $100 of assessed value, unchanged from the prior year. This rate is split into two rates, one for operations and one for capital improvements. All tax revenues collected for capital improvements are restricted for use in the capital improvement budget in the General Fund.

Personal Property Tax Rate
The personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2017, the Mayor and Council adopted a personal property tax rate of $1.10 per $100 of assessed value, unchanged from the prior year.

Utility Personal Property Tax Rate
The utility personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2017, the Mayor and Common Council adopted a tax rate of $1.40 per $100 of assessed value, unchanged from the prior year.

Operating Budget
The City maintains a balanced Operating Plan and a six-year Capital Improvement Plan (CIP) for expenditures based on projected revenues. The development of these four-year and six-year plans requires the City to evaluate the impact of current decisions on the long-term financial position of the City.

Capital Projects
The City's six-year Capital Improvement Plan is focused on maintaining existing infrastructure, building a fiber network, and improving and expanding economic development. The six-year program includes $21 million to build the broadband fiber network and $56 million to upgrade the wastewater facility for enhanced nutrient removal. Additional projects include replacement of aging technology equipment, water mains, and vehicles and equipment. The Plan also includes funding for road and streetlight improvements.

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

Users of this document, as well as others interested in the programs and services offered by the City, are encouraged to read the City's Adopted Fiscal Year 2017-2018 Budget. The document details the City's long-term goals and financial policies, describes the various activities' accomplishments and initiatives, and outlines the City's capital improvement program. The budget can be obtained from the City of Westminster's website at www.westminstermd.gov.

Financial Policies and Practices

General

1. The City of Westminster's departments will carry out the Mayor and Common Council's goals, objectives, and policies through a service delivery system funded by the City's operating and capital budgets.

2. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate duplicative functions within the City government and between the City of Westminster and other public agencies in the community. Specifically, intensive reviews of the efficiency and effectiveness of certain City services will be periodically undertaken.

3. Whenever feasible, City activities will be considered enterprises if they will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.

4. Adequate reserves will be maintained for all known liabilities.

5. Efforts will be coordinated with neighboring governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the State and Federal level.

6. The City will seek out, apply for, and effectively administer federal, state, and foundation grants-in-aid that address the City's current priorities and policy objectives.

7. The City will initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.

8. The City's Finance Department personnel will carry out all policies responsibly, ethically, and professionally for the betterment of the City of Westminster.

Budget

1. The City Administrator, on behalf of the Mayor, will develop a recommended budget in conjunction with the City's department directors. The Finance Director will coordinate all aspects of the City's budget process. The recommended budget will be presented to the Common Council for its consideration and adoption.

2. The recommended budget will be developed based on the Government Finance Officer Association (GFOA) budget document development guidelines as a planning document, and will present key economic issues for public discussion.

3. As required by State law, the Common Council shall adopt a balanced budget by an ordinance appropriating funds prior to the beginning of the fiscal year.

4. All governmental fund budgets presented to the Mayor and Common Council for adoption will be balanced, with projected expenditures equal or less than projected revenues and applied fund balance.

5. The relationship between the operating and capital budgets will be explicitly recognized and incorporated into the budget process. Funding for these budgets shall be sufficient to provide municipal operating services and maintenance or enhancement of capital assets needed to support public demand for City services.

6. Common Council approval is required to transfer balances from one department to any other department.

7. These financial policies will be included as part of the budget document.

Revenue Policies

1. Budgeted revenue estimates will be based on reasonably conservative and realistic expectations.

2. Non-recurring revenues and financing sources will not be used to finance continuing operations per City Code requirements.

3. Long-term financial commitments for continuing outlays will be avoided unless sustained revenue growth is assured.

4. The City will be aggressive in collecting revenues owed to it.

5. The City will establish all user charges fees at a level related to the full costs of providing the service. The City will review fees/charges periodically.

6. The City will consider market rates and charges levied by other area municipalities of similar size for like services in establishing rates, fees, and charges. The fee structure will be reviewed during the budget process and will be included in the budget document.

7. Enterprise operations will be self-supporting.

8. With the development of the water/sewer rate structure model in 2009, the City provided for a "dividend" that may be declared by the Common Council based on successful results within the enterprise funds. Should the Common Council elect to do so, at the end of the fiscal year when final results are available, by resolution they may declare a dividend that will be transferred to the General Fund in support of costs incurred by the fund in support of the enterprise activities.

9. For the FY 2010 - 2011 budget year, the Common Council approved an increase in the real estate property tax rate for the intent of funding capital projects. Any and all revenue received above the FY 2009 - 2010 tax rate is hereby directed into a Capital Projects account to be used only in support of Common Council appropriated capital projects.

10. The City bills for services provided. These may include, but are not limited to, fees associated with levies authorized by legislation, fines issued for violations of Code, and charges for utilities consumed. Each receivable is booked when billed, and is associated with a customer account that represents an obligation to the City. It is assumed that charges incurred will be paid according to the terms and conditions of the obligation; however, not all receivables are honored in full and may not be cost effective for the City to pursue in collection. As a result, a receivable may need to be written-off and bad debt expense recorded. A receivable should be written-off to loss when cost-effective means to collect monies due have been performed and further effort would be more costly than the proceeds received. Cost-effective means include, but are not limited to, using City resources to provide notice to the obligor as provided for by City policy and Code, and filing liens as the laws of the State of Maryland provide. Each action taken is documented in accordance with internal control procedures, and is utilized to support the write-off decision.

Expenditure Accounts

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balance accumulated through prior years.

2. The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions may include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided.

3. The City Administrator shall undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.

4. The City shall make every effort to maximize any discounts offered by creditors/vendors, and partnering with other governmental agencies for resource purchasing shall be encouraged.

5. If budgeted funds are not available, the Director of Finance shall be contacted to assist in locating a source of funds prior to the purchase occurring.

6. A department director is able to make transfers up to $10,000. Any transfers over $10,000 require the Common Council's approval, even if involving a reallocation of funds within the same department. Common Council approval is required for all transfers between departments.

Capital Improvement Policies

1. The City will develop a multi-year plan for capital improvements, which will be updated annually. The Capital Improvement Plan (CIP) will include a description of each project, its cost, and its funding source(s). All capital improvements during the year will be made in accordance with the CIP and City Code requirements.

2. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues whenever possible.

3. The capital budget process works in conjunction with the regular operating budget process. CIP projects are noted as funded or unfunded depending on whether or not the forecasted operating budget can support or fund the project. All funded CIP projects are included in the operating budget for the current budget year.

4. Carryover or multi-year projects will be included in the CIP.

Capital Asset Management Policy

1. Capital (fixed) assets are tangible items that are acquired by procurement, transfer, capital lease, donation, or other method that transfers ownership and have the following characteristics

   a) Have an estimated useful life of five or more years;

   b) Are not intended for sale in the ordinary course of operations; and,

   c) Are acquired or constructed with the intention of being used, or being available for use, by the entity to conduct business.

2. Capital assets will not be degraded, given away, or allowed to deteriorate except by action of the Common Council.

3. The capitalization threshold used in determining if a given asset qualifies for capitalization is $10,000.

4. Adequate insurance shall be maintained on all capital assets consistent with the results of the annual physical count/inspection.

Accounting, Auditing and Financial Reporting Policies

1. The City Treasurer prepares and presents regular reports to the City Administrator and the Mayor and Common Council that analyze, evaluate, and forecast the City's financial performance, position, and economic conditions.

2. The Finance Committee of the Common Council and the State of Maryland requires an independent audit to be performed annually. This audit is available to the public on the City's website.

3. The City will issue annual financial reports in accordance with generally accepted accounting principles (GAAP) as outlined in the Governmental Accounting, Auditing and Financial Reporting (GAAFR) publication.

Purchasing Policy

1. The City shall ensure that all purchasing actions are fair and impartial with no impropriety or appearance of impropriety. All qualified buyers and sellers will have equal access to City business and no individual or firm shall be arbitrarily excluded.

2. To the maximum extent possible, purchasing actions will be conducted in a competitive environment.

3. Purchases will be made by the City Treasurer. Responsibility for certain purchasing actions may be delegated to other senior City officials by the City Treasurer.

4. All budgeted purchase requisitions are subject to the following approvals:

   a) Purchases up to $25,000 are approved by the Mayor, City Administrator, or department director.

   b) Purchases above $25,000 are approved by the Common Council.

   c) Purchases of budgeted capital items and vehicles may be authorized by the City Administrator to take advantage of state, county, or other local purchasing options. The Common Council will be notified of such purchases.

5. Purchases up to $100 may be made through petty cash.

6. The City will maintain yearly open purchase orders to cover purchases from vendors that supply the City with a high volume of the same or similar goods or services during the year.

Investment Policy

1. Public funds will be invested in a manner consistent with the greatest safety and protection for the City's investments. This investing of funds will, while protecting the safety of the City's investments, produce the highest investment return for meeting the cash flow requirements of the City and conform to all Maryland State statutes, City ordinances, and policies governing the investment of public funds.

2. The standard of prudence to be applied by the City Treasurer in managing the City's overall portfolio shall be the "Prudent Person Rule" which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

3. The City Treasurer, acting in accordance with the City's Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. All investments will be governed by the following objectives:

   a) Safety of principal is the primary objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, some diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

   b) The City's investment portfolio shall be designed with the goal of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. The Common Council will annually review the overall Investment Policy during budget deliberations as it relates to the City's financial objectives and make any necessary modifications to the Policy.

6. Officials and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions.

7. The Treasurer will maintain a list of financial institutions and security dealers authorized to provide banking and investment services to the City.

Debt Management Policy

1. The City will ensure that future debt service payments can be made without jeopardizing the provision of essential services.

2. There will be an acceptable degree of flexibility to meet unanticipated expenditures.

3. Outstanding debt obligations will not threaten long-term financial stability.

4. The amount of outstanding debt will not place undue burden on community residents and businesses.

5. Debt issuance is subject to the City of Westminster's Charter requirements and the legal limits set by the State of Maryland.

Awards and Acknowledgements

The City is submitting its financial report to Government Finance Officers Association of the United States and Canada (GFOA) this year. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

The Distinguished Budget Presentation Award is valid for a period of one year only. The City of Westminster has received the Distinguished Budget Presentation Award for the past four consecutive years (2013-2016).

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff in the Department of Finance and the cooperation of the entire organization. In closing, I would like to thank the Mayor and Common Council for their continuing support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Tammy Palmer

Tammy M. Palmer
Director of Finance and Administrative Services

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City of Westminster, Maryland

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Mayor

Mr. Joe Dominick

Common Council

Dr. Robert Wack, Council President
Mr. Gregory Pecoraro, Council President Pro-Tem
Dr. Mona Becker, Councilmember
Mr. Tony Chiavacci, Councilmember
Mr. Benjamin Yingling, Councilmember

Management Team

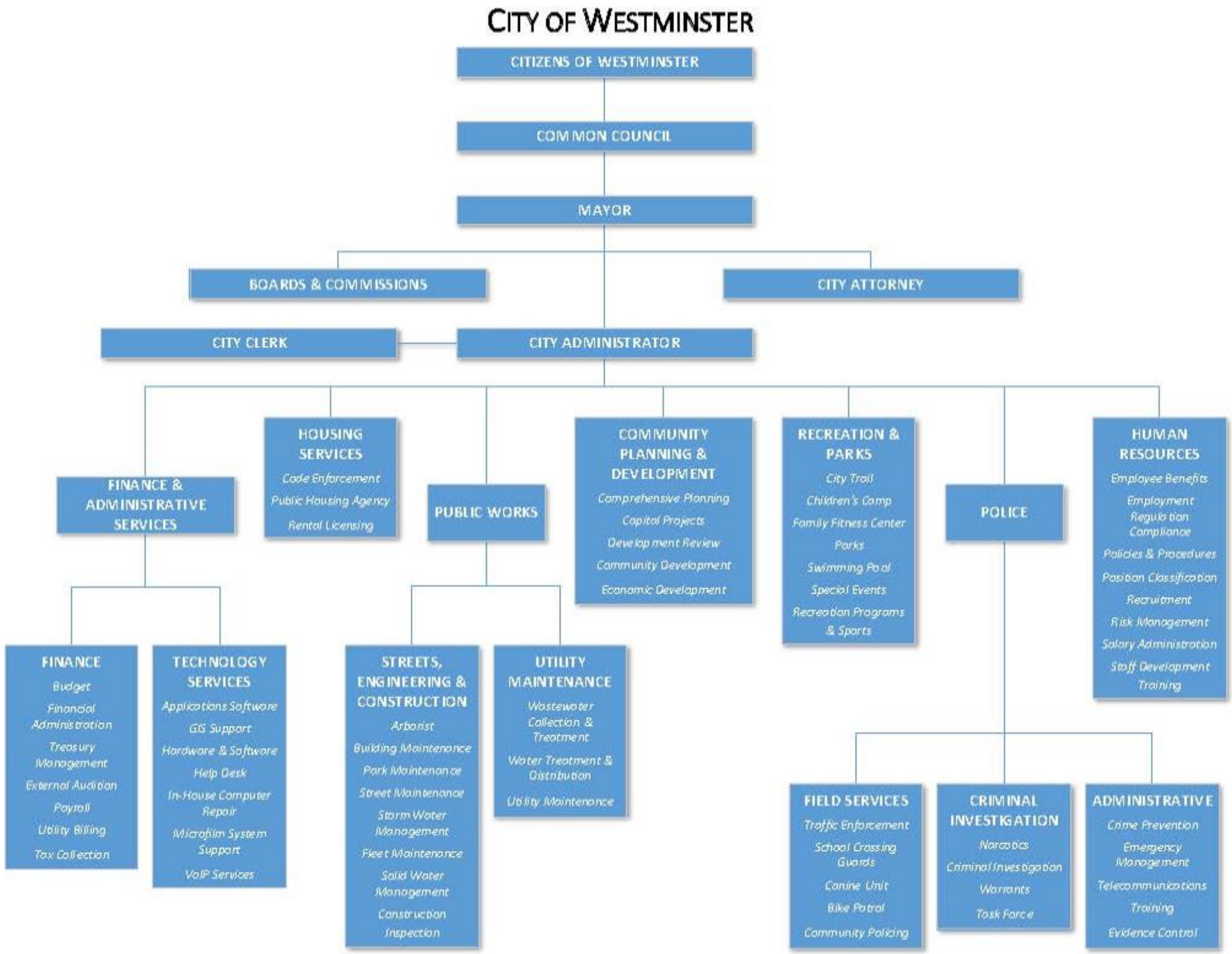
Title	Name
City Administrator	Barbara B. Matthews
Chief of Police	Jeff Spaulding
Director of Finance and Administrative Services	Tammy Palmer
Director of Housing and Preservation	Cindy Valenzisi
Director of Planning and Development	William Mackey
Director of Public Works	Jeff Glass
Director of Recreation and Parks	Abby Gruber

Independent Auditor

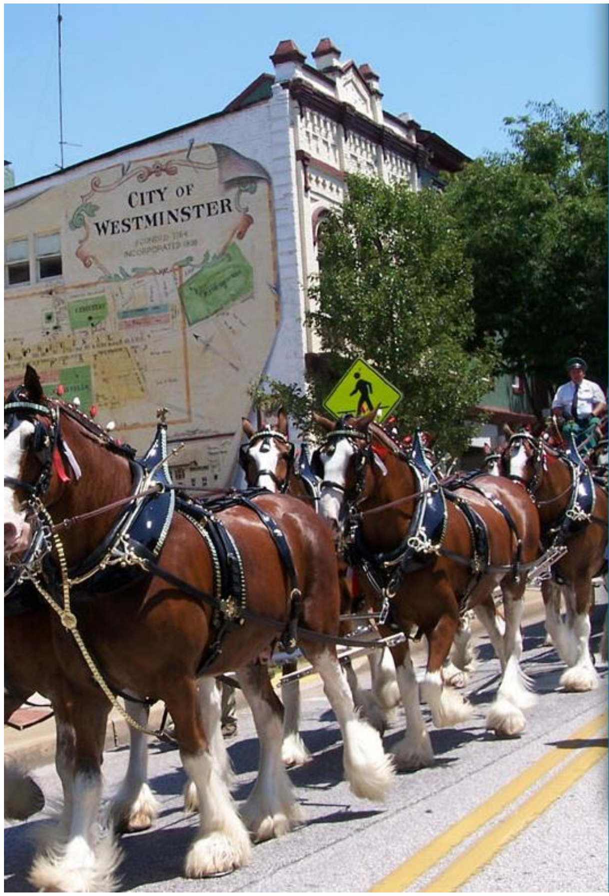
CohnReznick, LLP
Baltimore, Maryland

Bond Counsel

Funk & Bolton, P.A.
Baltimore, Maryland


CITY OF WESTMINSTER
CITIZENS OF WESTMINSTER
COMMON COUNCIL
MAYOR
BOARDS & COMMISSIONS
CITY ATTORNEY
CITY CLERK
CITY ADMINISTRATOR
FINANCE & ADMINISTRATIVE SERVICES
HOUSING SERVICES
Code Enforcement
Public Housing Agency
Rental Licensing
PUBLIC WORKS
COMMUNITY PLANNING & DEVELOPMENT
Comprehensive Planning
Capital Projects
Development Review
Community Development
Economic Development
RECREATION & PARKS
City Trail
Children's Camp
Family Fitness Center
Parks
Swimming Pool
Special Events
Recreation Programs & Sports
POLICE
HUMAN RESOURCES
Employee Benefits
Employment Regulation Compliance
Policies & Procedures
Position Classification
Recruitment
Risk Management
Salary Administration
Staff Development Training
FINANCE
Budget
Financial Administration
Treasury Management
External Audition
Payroll
Utility Billing
Tax Collection
TECHNOLOGY SERVICES
Applications Software
GIS Support
Hardware & Software
Help Desk
In-House Computer Repair
Microfilm System Support
VoIP Services
STREETS, ENGINEERING & CONSTRUCTION
Arborist
Building Maintenance
Park Maintenance
Street Maintenance
Storm Water Management
Fleet Maintenance
Solid Water Management
Construction Inspection
UTILITY MAINTENANCE
Wastewater Collection & Treatment
Water Treatment & Distribution
Utility Maintenance
FIELD SERVICES
Traffic Enforcement
School Crossing Guards
Canine Unit
Bike Patrol
Community Policing
CRIMINAL INVESTIGATION
Narcotics
Criminal Investigation
Warrants
Task Force
ADMINISTRATIVE
Crime Prevention
Emergency Management
Telecommunications
Training
Evidence Control

Financial Section



Independent Auditor's Report

To the Mayor and Common Council
City of Westminster, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Westminster, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 18 - 30 and pages 93 - 94; the schedules of funding progress and employer contributions - other postemployment benefits plan on page 95; and the schedules of the City's proportionate share of the net pension liability and pension plan contributions on pages 96 and 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster, Maryland's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The Program Balance Sheet Summary and Program Revenue and Expense Summary are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City of Westminster, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westminster, Maryland's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
November 30, 2017

As management of the City of Westminster, Maryland, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the City of Westminster for the fiscal year ended June 30, 2017. The objective of this discussion and analysis of the City's financial statements is to provide an overview of its financial activities for the past fiscal year.

Financial Highlights:

Government-wide:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $117,675,981 (net position). Of this amount $49,076,152 was for governmental activities and $68,599,829 was for business type activities. The amount of net position that was unrestricted at year end was $4,632,883 for governmental activities and $13,845,582 for business type activities. The total net investment in capital assets was $91,474,645 at June 30, 2017 compared to $88,228,512 at June 30, 2016.

- Total net position increased by $3,262,031 or 3% over fiscal year 2016. Governmental activities increased by $92,444 while business type activities increased by $3,169,587. The increase in business activities can be attributed to capital improvement projects.

Fund level:

- As of June 30, 2017, the City's governmental funds reported combined fund balances of $15,373,127 - an increase of $1,597,082 from the prior year. Approximately 81% of the combined fund balance is available to meet the City's current and future needs *(unassigned)*, 13% is restricted or committed for future use, 3% is assigned for items such as existing purchase orders and contracts, and 3% is non-spendable, meaning it is in the form of receivables and inventory.

- At the end of the most recent fiscal year, the unassigned fund balance of the general fund was $12,637,073. This is available to meet the City's current and future needs.

Long term debt:

- The City of Westminster's total bonded debt increased by $3,278,183 or 22% from fiscal year 2016. The increase was primarily due to the continued construction of the fiber network that resulted in additional draw downs. During fiscal year 2017, the City paid an average interest rate of 2.7%.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components:

1) Government-wide financial statements,
2) Fund financial statements, and
3) Notes to the financial statements.

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

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

The *statement of net position* presents information on all of the City's assets and deferred outflow of resources, and liabilities with the difference between them reported as *net position*. Over time, changes in net position may serve as a useful indicator of whether the financial position and condition of the City is improving or deteriorating.

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

Both of the government-wide financial statements referenced above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the City include general government, public safety (police), public works (streets and sanitation), recreation and parks and community development (including the Public Housing Agency). The business-type activities of the City include the sewer, water, and fiber services.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two different categories: governmental funds and proprietary funds.

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

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

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for:

1) The General Fund, and
2) The Public Housing Agency Fund (PHA)

The City appropriates annual budgets for its governmental funds. A budgetary comparison statement for the general fund has been provided in the required supplementary information.

***Proprietary Funds*:** The City maintains only one type of proprietary fund: *enterprise funds*. Enterprise funds are used to report the same functions presented in *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water services as well as a newly created fiber services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Fiber Funds, which are considered to be major funds of the City.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the date provided in the government-wide and fund financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City. A budgetary comparison schedule has been provided for the General Fund and Public Housing Fund.

Statistical Section: The statistical section provides supplemental financial and statistical information intended to provide a broader understanding of the City's financial and economic environment. Much of the data presented is multi-year and some of it is derived from records external to the City's accounting records, therefore; the statistical section is unaudited.

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition and position. In the case of the City, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $117,990,434 at the close of the most recent fiscal year. The City's net position is divided into three categories: net investment in capital assets, restricted net position and unrestricted net position. The largest portion is the City's net investment in capital assets (e.g. buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems, and furniture and fixtures, less any related debt used to acquire those assets that is still outstanding, and accumulated depreciation). These net capital assets represent 78% of the total net position reported. The City uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from operating revenue since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of $7,722,871 represents 7% of total net position. Restricted net position is resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position of $18,478,465 represents 16% of total net position and may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the most recent fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

City of Westminster, Maryland
Net Position

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Assets:						
Current & Other Assets	$ 18,494,015	$ 16,865,835	$ 25,231,715	$ 24,011,840	$ 43,725,730	$ 40,877,675
Non-Current Assets	17,000	18,650	17,324	18,976	34,324	37,626
Capital Assets, Net	46,354,485	46,786,131	62,976,447	56,089,383	109,330,932	102,875,514
Total Assets	**64,865,500**	**63,670,616**	**88,225,486**	**80,120,199**	**153,090,986**	**143,790,815**
Deferred Outflows of Resources:	**2,789,638**	**2,166,866**	**748,415**	**622,515**	**3,538,053**	**2,789,381**
Total Assets and Deferred Outflows of Resources	**$ 67,655,138**	**$ 65,837,482**	**$ 88,973,901**	**$ 80,742,714**	**$ 156,629,039**	**$ 146,580,196**
Liabilities:						
Current Liabilities	$ 3,055,552	$ 3,016,678	$ 3,384,466	$ 2,215,590	$ 6,440,018	$ 5,232,268
Non-Current Liabilities	14,445,450	13,181,785	16,745,985	12,904,740	31,191,435	26,086,525
Total Liabilities	**17,501,002**	**16,198,463**	**20,130,451**	**15,120,330**	**37,631,453**	**31,318,793**
Deferred Inflow of Resources:	**1,077,984**	**655,311**	**243,621**	**192,142**	**1,321,605**	**847,453**
Net Position:						
Net Investment in Capital Assets	42,454,147	42,526,125	49,020,498	45,702,387	91,474,645	88,228,512
Restricted	1,989,122	1,935,889	5,733,749	6,092,201	7,722,871	8,028,090
Unrestricted	4,632,883	4,521,694	13,845,582	13,635,654	18,478,465	18,157,348
Total Net Position	**$ 49,076,152**	**$ 48,983,708**	**$ 68,599,829**	**$ 65,430,242**	**$ 117,675,981**	**$ 114,413,950**

City of Westminster, Maryland
Changes in Net Position

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	$ 1,254,812	$ 1,144,123	$ 11,698,090	$ 11,502,435	$ 12,952,902	$ 12,646,558
Operating Grants & Contributions	3,614,596	3,312,279	-	-	3,614,596	3,312,279
Capital Grants & Contributions	440,000	4,551,637	941,831	419,379	1,381,831	4,971,016
General Revenues:						
Taxes:						
Real Estate Taxes	9,061,859	8,830,708	-	-	9,061,859	8,830,708
Personal Property Taxes	792,293	904,381	-	-	792,293	904,381
Income Taxes	1,998,888	2,104,369	-	-	1,998,888	2,104,369
Admissions & Amusement Taxes	204,885	199,345	-	-	204,885	199,345
Grants & Contributions Not Restricted to Specific Programs	995,644	990,360	-	-	995,644	990,360
Franchise Taxes	270,616	255,188	-	-	270,616	255,188
Interest & Investment Earnings	42,233	26,550	84,466	53,066	126,699	79,616
Miscellaneous	345,252	449,220	373,012	228,452	718,264	677,672
Total Revenues	**19,021,078**	**22,768,160**	**13,097,399**	**12,203,332**	**32,118,477**	**34,971,492**
Expenses:						
Governmental Activities:						
General Government	1,958,923	2,044,804	-	-	1,958,923	2,044,804
Public Safety	7,779,910	6,077,097	-	-	7,779,910	6,077,097
Public Works	5,288,557	4,833,127	-	-	5,288,557	4,833,127
Recreation & Parks	1,406,611	1,363,735	-	-	1,406,611	1,363,735
Community Development & Housing	2,293,036	2,067,003	-	-	2,293,036	2,067,003
Interest on Long-Term Debt	166,597	178,666	-	-	166,597	178,666
Business-Type Activities:						
Sewer Services	-	-	5,036,757	4,839,774	5,036,757	4,839,774
Water Services	-	-	4,548,024	4,496,897	4,548,024	4,496,897
Fiber Services	-	-	378,031	347,687	378,031	347,687.00
Total Expenses	**18,893,634**	**16,564,432**	**9,962,812**	**9,684,358**	**28,856,446**	**26,248,790**
Excess of Revenues over Expenses	**127,444**	**6,203,728**	**3,134,587**	**2,518,974**	**3,262,031**	**8,722,702**
Transfer (Out) In	(35,000)	(2,055,923)	35,000	2,055,923	-	-
Change in Net Position	**92,444**	**4,147,805**	**3,169,587**	**4,574,897**	**3,262,031**	**8,722,702**
Net Position - Beginning	**48,983,708**	**44,835,903**	**65,430,242**	**60,855,345**	**114,413,950**	**105,691,248**
Net Position - Ending	**$ 49,076,152**	**$ 48,983,708**	**$ 68,599,829**	**$ 65,430,242**	**$ 117,675,981**	**$ 114,413,950**

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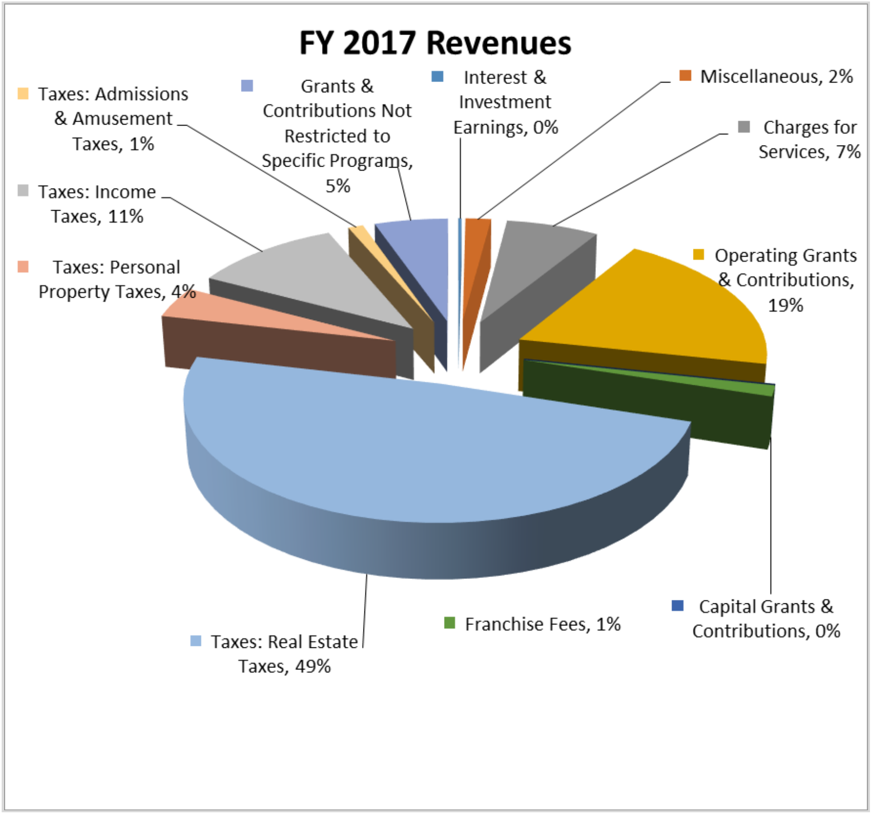
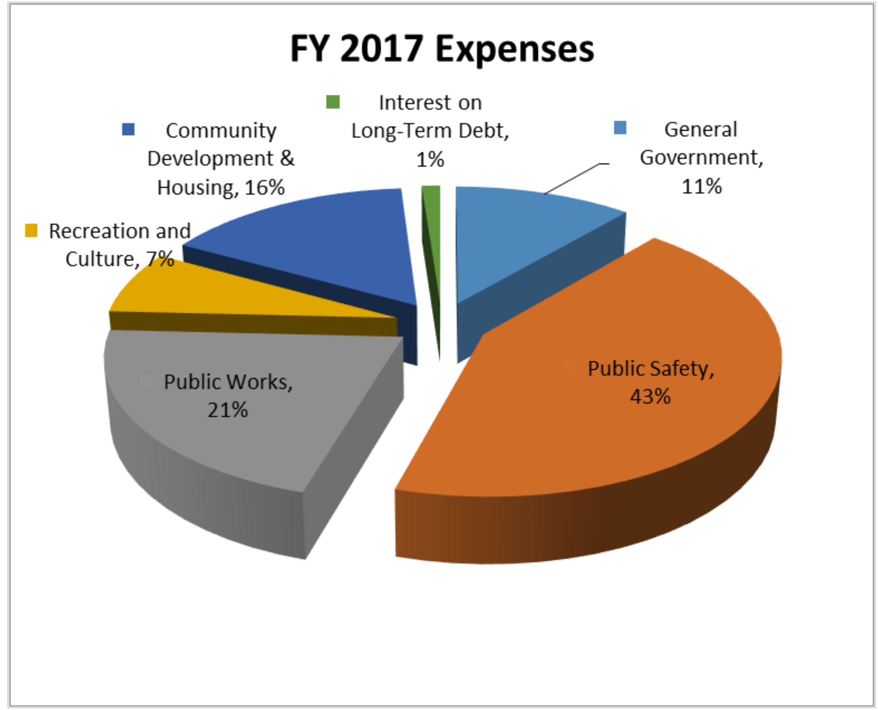
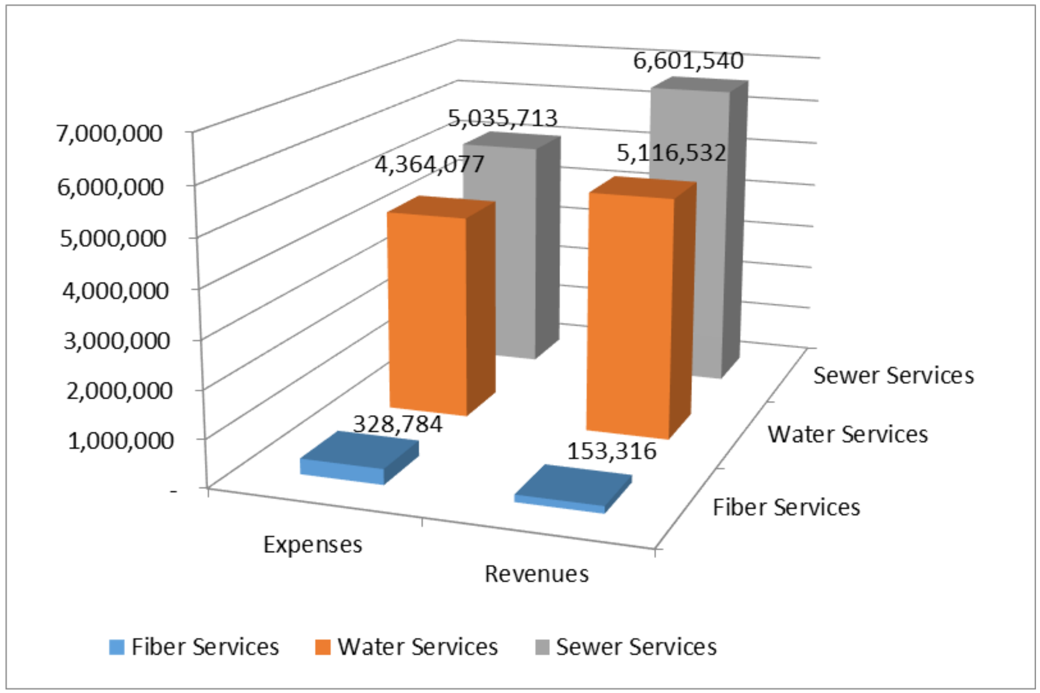
- **Governmental Activities:** A graphic representation of the City's Governmental Activities Revenues and Expenses is shown below. Each component is accompanied by the percentage of the total it represents.





- **Business-type activities:** A graphic representation of the City's Business-Type Activity Revenues and Expenses is shown below.

FY 2017 Enterprise Funds



Financial Analysis of the Government's Funds:

As noted earlier, the City of Westminster, Maryland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*:** The focus of the analysis of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a measure of a government's net resources available for appropriation as revenue in the subsequent fiscal year.

As of the June 30, 2017 fiscal year, the City's governmental funds reported combined ending fund balances of $15,373,127. Approximately 1% of the fund balance ($192,286) is restricted for the Public Housing Agency. An additional 14% has been restricted as follows:

- $1,645,066 restricted for Capital Improvement Projects
- $100,775 restricted for an employee flexible spending plan and forfeited proceeds awarded to the City by judicial process

The total General Fund balance increased $1,540,791 during fiscal year 2017, as a result of being under budget in expenditures. The Public Housing Agency fund balance increased $56,291 due to moderate funding increases from U.S. Department of Housing and Urban Development (HUD).

***Proprietary Funds*:** The City's proprietary funds analysis provides the same type of information found in the governmental activities financial statements, but in more detail.

The Sewer, Water, and Fiber Funds are the City's three enterprise operations. There was an overall revenue increase of $879,715, or 2.8%, from fiscal year 2016. Of this amount, $100,000 was due to additional revenue arising from ongoing expansion of the fiber network. Approximately $230,000 was attributable to an increase in the sewer rate.

General Fund Budgetary Highlights:

The budgetary statement of the General Fund shows actual revenues of $16,378,251 compared to the budgeted amount of $20,216,698, an overall shortfall of $3,818,447. The major differences between the final budgeted amounts and the actual revenues are summarized below:

- A shortfall in intergovernmental revenues, primarily due to $2,550,000 of project grants that have not yet been approved or have been delayed thereby reducing the need for seeking grant reimbursement.
- Project delays eliminated the need to transfer $1,380,000 from fund balance.

Actual General Fund expenditures were less than budget by $5,470,651 primarily driven by:

- $3,101,000 of Capital Improvement Projects that were either delayed or adjusted downwards in scope. Some of these capital outlay items were re-appropriated during the fiscal year 2018 budget process. The budget approved by the Common Council allocated $2.5 million for retrofitting and redesign of sidewalks for ADA compliance; however, the anticipated intergovernmental grants were not received during the fiscal year.

- The Director of Housing position was vacant all year and the City Administrator position was vacant for six months. There were various other vacancies in positions in other departments resulting in reduced expenditures as budgeted.

Capital Asset and Debt Administration:

Capital Assets: The City of Westminster's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to $109,634,380 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems, furniture and fixtures and construction in progress. The total increase in the City's investment in capital assets for the fiscal year was 7%, arising primarily from business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land & Land Rights	$ 1,744,172	$ 1,744,172	$ 190,915	$ 190,915	$ 1,935,087	$ 1,935,087
Construction in Progress	485,800	475,199	15,835,983	8,091,628	16,321,783	8,566,827
Buildings	14,799,293	14,764,293	121,075	117,375	14,920,368	14,881,668
Equipment	3,757,739	3,704,563	4,154,466	3,997,773	7,912,205	7,702,336
Furniture & Fixtures	221,986	128,041	6,414	6,414	228,400	134,455
Improvements Other than Buildings	10,415,040	9,640,047	-	-	10,415,040	9,640,047
Infrastructure	50,598,344	49,352,791	49,467,233	48,851,013	100,065,577	98,203,804
Utility Plant & Equipment	-	-	27,963,321	27,938,330	27,963,321	27,938,330
Vehicles	3,031,737	2,949,197	1,119,246	963,178	4,150,983	3,912,375
Water Use Rights	1,400,000	1,400,000	-	-	1,400,000	1,400,000
Less: Accumulated Depreciation	(40,099,626)	(37,372,172)	(35,882,206)	(34,067,243)	(75,981,832)	(71,439,415)
Total Capital Assets	**$ 46,354,485**	**$ 46,786,131**	**$ 62,976,447**	**$ 56,089,383**	**$ 109,330,932**	**$ 102,875,514**

Major capital asset activities during fiscal year 2017 included the following:

- Continued with Phase I of construction of the citywide Fiber Optic Network adding $5.4 million to Construction in Progress (CIP). Phase I is expected to be completed during fiscal year 2018 at a total cost of approximately $8 million. The project is funded by the sale of bonds.

- Continued construction of the Gesell Well Treatment Plan and project costs increased CIP by $930,000.

- Continued the Waste Water Treatment Plant ENR Upgrade increasing CIP by $805,000.

- Completed the extension of the Wakefield Valley Community Trail that got underway in fiscal year 2016. The total project cost was $440,000.

- Installed new playground equipment at the City Park Playground at a cost of $275,000.

- Continued the Water Main upgrade project increasing CIP by $420,000.

Commitments:

The City is committed under the following contracts for construction and related projects as of June 30, 2017:

Project	Contract Amount	Amount Outstanding at June 30, 2017
Public Works - Structural Study for Walls	$ 16,500	$ 16,500
Recreation & Parks Installation of Equipment	14,270	14,270
Public Works - Line Striping, Street Lighting & Cleaning	11,741	11,741
Governmental Activities	$ 42,511	$ 42,511
City-Wide Fiber Infrastructure	$ 7,081,606	$ 423,475
Gesell Well Treatment Plant	2,978,437	1,072,216
WWTP Upgrade ENR Removal	1,395,523	1,277,928
Hollow Rock Rd & Cityview Water Main	498,391	471,461
Geographic Information System Layers	94,433	39,010
Business-Type Activities	$ 12,048,390	$ 3,284,090

Long-Term Debt:

At the end of fiscal year 2017, the City had total bond and loan principal outstanding of $17,814,841, backed by the full faith and credit of the City. Of that amount, $3,884,300 represents General Fund infrastructure bonds. Water Fund Drinking Water bonds totaled $8,554,701 while Fiber Fund Infrastructure construction bonds equaled $5,375,840. In addition, capital lease obligations for other equipment accounted for $55,496.

There are four other types of long-term obligations of the City that do not have mandatory payment terms. The first is a non-interest obligation to the Carroll County Commissioners of Maryland related to agreements to provide water service totaling $226,486. The second is for compensated absences in the amount of $685,623. Compensated absences are the total amount of leave liability that the City would owe employees upon their termination. The third are accrued Other Post-Employment Benefits (OPEB) totaling $2,201,000. This is a liability identified per the requirements of GASB 45 for retiree benefits. The fourth is Net Pension Liability totaling $11,509,127. This is a liability identified per the requirement of GASB 68 related to the City's share of the total liability of the Maryland State Retirement System, in which the City participates. When considering these additions, total long-term debt at June 30, 2017, was $32,491,573 compared to $27,406,152 at June 30, 2016.

- **Annual Debt Service:** During fiscal year 2017 principal, interest, and administrative fee payments of $1,846,585 were made on all bonds and leases. During fiscal year 2018, $1,508,120 is expected to be paid for debt service obligations of principal, interest and administrative fees.

Subsequent Events and Economic Factors

GENERAL FUND

The City of Westminster has adopted the fiscal 2018 budget appropriation for the general fund of approximately $15.65 million. Real property tax continues to be the main source of revenue at 47% and the rates are expected to remain the same at $0.56 per $100 of assessed valuation.

FIBER FUND

As of June 30, 2017, Phase 1 and 2 of the citywide Fiber Network Project was 80% complete; the remainder is expected to conclude by December 31, 2017. The projected cost of these first two phases (including the pilot phase) is approximately $8.5 million; it is estimated that 2,750 units will have access to the network.

Phases 3 and 4 of the project will begin in January 2018, with an expected cost of approximately $6 million. At the end of construction, it is estimated that a total of 5,600 units will have access to the network.

WATER FUND

The City provides service to approximately 6,200 locations in Westminster and 3,800 outside the City limits. There are no plans to change rates in the fiscal year 2018, but a rate study will be performed to provide a basis for establishing rates in fiscal 2019 and subsequent years.

SEWER FUND

There are no plans to change sewer rates during fiscal year 2018. The most recent increase took effect in June 2016. A rate study will be performed which will provide a basis for establishing rates in fiscal year 2019 and beyond. The multi-year project to upgrade the City's Wastewater Treatment Plant is expected to cost $58.9 million, with construction beginning in fiscal year 2018.

ADMINISTRATIVE OFFICES

On November 27, 2017, the Mayor and Common Council approved the purchase of a building that will house the City's administrative offices. The transaction is expected to be completed at a cost of approximately $1.6 million and will be funded from existing reserves. The current lease for office space expires in March 2018.

Request for Information:

This financial report is designed to provide a general overview of the City of Westminster, Maryland's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Tammy Palmer, Director of Finance, City of Westminster, 56 W. Main Street, Westminster, Maryland, 21157.

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Basic Financial Statements

City of Westminster, Maryland
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash & Cash Equivalents	$ 3,300	$ -	$ 3,300
Equity in Pooled Cash & Cash Equivalents			
Unrestricted	11,169,204	15,245,211	26,414,415
Restricted	6,701,885	5,733,749	12,435,634
Taxes Receivable	327,624	-	327,624
Accounts Receivable, Net of Allowance for Uncollectibles of $210,373 and $208,936, respectively			
Unrestricted	326,187	1,412,900	1,739,087
Restricted	-	78,578	78,578
Unbilled Services	-	1,663,202	1,663,202
Grants Receivable	30,459	-	30,459
Loan Receivable	1,650	-	1,650
Prepaid Items and Deposits	213,262	164,216	377,478
Internal Balances	(767,517)	767,517	-
Due from Other Governments	413,326	27,451	440,777
Inventory	74,635	138,891	213,526
TOTAL CURRENT ASSETS	**18,494,015**	**25,231,715**	**43,725,730**
NON-CURRENT ASSETS			
Accounts Receivable	-	17,324	17,324
Loan Receivable	17,000	-	17,000
	17,000	17,324	34,324
Capital Assets			
Land & Land Rights	1,744,172	190,915	1,935,087
Construction in Progress	485,800	15,835,983	16,321,783
Buildings	14,799,293	121,075	14,920,368
Equipment	3,757,739	4,154,466	7,912,205
Furniture & Fixtures	221,986	6,414	228,400
Improvements Other than Buildings	10,415,040	-	10,415,040
Infrastructure	50,598,344	49,467,233	100,065,577
Utility Plant & Equipment	-	27,963,321	27,963,321
Vehicles	3,031,737	1,119,246	4,150,983
Water Use Rights	1,400,000	-	1,400,000
	86,454,111	98,858,653	185,312,764
Accumulated Depreciation	40,099,626	35,882,206	75,981,832
Net Capital Assets	46,354,485	62,976,447	109,330,932
TOTAL NON-CURRENT ASSETS	46,371,485	62,993,771	109,365,256
TOTAL ASSETS	64,865,500	88,225,486	153,090,986
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - pension related	2,775,588	748,415	3,524,003
Charge on Refunding	14,050	-	14,050
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,789,638	748,415	3,538,053
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 67,655,138	$ 88,973,901	$ 156,629,039

City of Westminster, Maryland
Statement of Net Position (Continued)
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	$ 300,431	$ 2,151,310	$ 2,451,741
Accrued Liabilities	160,441	67,282	227,723
Compensated Absences	22,627	7,966	30,593
Unearned Revenue	367,888	13,178	381,066
Loan Payable	100,000	-	100,000
Capital Lease Obligations	30,088	25,408	55,496
General Obligation Bonds Payable	340,100	873,949	1,214,049
Payable from Restricted Assets			
Deposits & Escrows	1,733,977	-	1,733,977
Due to Other Governments	-	245,373	245,373
TOTAL CURRENT LIABILITIES	**3,055,552**	**3,384,466**	**6,440,018**
NON-CURRENT LIABILITIES			
Compensated Absences	411,436	243,594	655,030
Accrued Other Postemployment Benefits	1,401,000	799,000	2,200,000
Net Pension Liability	9,088,814	2,420,313	11,509,127
Due to Other Governments	-	226,486	226,486
General Obligation Bonds Payable	3,544,200	13,056,592	16,600,792
TOTAL NON-CURRENT LIABILITIES	**14,445,450**	**16,745,985**	**31,191,435**
TOTAL LIABILITIES	**17,501,002**	**20,130,451**	**37,631,453**
DEFERRED INFLOWS OF RESOURCES			
Pension - Deferred Inflows	1,077,984	243,621	**1,321,605**
NET POSITION			
Net Investment in Capital Assets	42,454,147	49,020,498	91,474,645
Restricted for:			
Future Infrastructure Growth	-	5,733,749	5,733,749
Capital Improvement Projects	1,804,614	-	1,804,614
PHA Vouchers	184,508	-	184,508
Unrestricted	4,632,883	13,845,582	18,478,465
TOTAL NET POSITION	**49,076,152**	**68,599,829**	**117,675,981**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 67,655,138**	**$ 88,973,901**	**$ 156,629,039**

City of Westminster, Maryland
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 1,958,923	$ 294,166	$ -	$ -	$ (1,664,757)	$ -	$ (1,664,757)
Public Safety	7,779,910	136,825	317,128	-	(7,325,957)	-	(7,325,957)
Public Works	5,288,557	360,041	729,445	440,000	(3,759,071)	-	(3,759,071)
Recreation and Culture	1,406,611	463,780	281,993	-	(660,838)	-	(660,838)
Community Development & Housing	2,293,036	-	2,286,030	-	(7,006)	-	(7,006)
Interest on Long-Term Debt	166,597	-	-	-	(166,597)	-	(166,597)
Total Governmental Activities	18,893,634	1,254,812	3,614,596	440,000	(13,584,226)	-	(13,584,226)
Business-Type Activities							
Sewer Service	5,036,757	6,587,898	-	517,035	-	2,068,176	2,068,176
Water Service	4,548,024	5,045,375	-	424,796	-	922,147	922,147
Fiber Service	378,031	64,817	-	-	-	(313,214)	(313,214)
Total Business-Type Activities	9,962,812	11,698,090	-	941,831	-	2,677,109	2,677,109
TOTAL GOVERNMENT	**$ 28,856,446**	**$ 12,952,902**	**$ 3,614,596**	**$ 1,381,831**	**(13,584,226)**	**2,677,109**	**(10,907,117)**
GENERAL REVENUES							
Taxes							
Real Estate Taxes					9,061,859	-	9,061,859
Personal Property Taxes					792,293	-	792,293
Income Taxes					1,998,888	-	1,998,888
Admission & Amusement Taxes					204,885	-	204,885
Grants & Contributions Not Restricted to Specific Programs					995,644	-	995,644
Franchise Taxes					270,616	-	270,616
Interest & Investment Earnings					42,233	84,466	126,699
Miscellaneous					345,252	373,012	718,264
TOTAL GENERAL REVENUES					**13,711,670**	**457,478**	**14,169,148**
TRANSFERS IN (OUT)					(35,000)	35,000	-
CHANGES IN NET POSITION					**92,444**	**3,169,587**	**3,262,031**
Net Position - Beginning					48,983,708	65,430,242	114,413,950
NET POSITION - ENDING					**$ 49,076,152**	**$ 68,599,829**	**$ 117,675,981**

City of Westminster, Maryland
Balance Sheet of Governmental Funds
June 30, 2017

	General Fund	Public Housing Agency Fund	Total Government Funds
ASSETS			
Cash & Cash Equivalents	$ 3,300	$ -	$ 3,300
Equity in Pooled Cash & Cash Equivalents			
Unrestricted	11,169,204	-	11,169,204
Restricted	6,504,433	197,452	6,701,885
Taxes Receivable	327,624	-	327,624
Accounts Receivable, Net of Allowance for Uncollectibles of $210,373 and $208,936, respectively	296,345	29,842	326,187
Grants Receivable	30,459	-	30,459
Loan Receivable	18,650	-	18,650
Prepaid Items and Deposits	205,484	7,778	213,262
Due from Other Governments	413,326	-	413,326
Inventory	74,635	-	74,635
TOTAL ASSETS	**$ 19,043,460**	**$ 235,072**	**$ 19,278,532**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 298,692	$ 1,739	$ 300,431
Accrued Liabilities	116,944	-	116,944
Compensated Absences	22,627	-	22,627
Unearned Revenue	367,888	-	367,888
Loan Payable	100,000	-	100,000
Interfund Payables	765,233	2,284	767,517
Payable from Restricted Assets			
Unearned Revenue	18,229	-	18,229
Deposits & Escrows	1,725,056	8,921	1,733,977
TOTAL LIABILITIES	**3,414,669**	**12,944**	**3,427,613**
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivables	36,259	-	36,259
Fines & Penalties Receivables	31,658	-	31,658
Intergovernmental Receivables	380,033	-	380,033
Housing Assistance Reimbursement Receivable	-	29,842	29,842
TOTAL DEFERRED INFLOWS OF RESOURCES	**447,950**	**29,842**	**477,792**
FUND BALANCES			
Non-Spendable	297,119	7,778	304,897
Restricted	1,745,841	184,508	1,930,349
Committed	17,434	-	17,434
Assigned	483,374	-	483,374
Unassigned	12,637,073	-	12,637,073
TOTAL FUND BALANCES	**15,180,841**	**192,286**	**15,373,127**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$ 19,043,460**	**$ 235,072**	**$ 19,278,532**

City of Westminster, Maryland
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$	15,373,127
Amounts reported for governmental activities in the statement of net position are different because:		
Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the property tax revenue is not available and is reported as a deferred inflow of resources in the governmental funds.		36,259
A portion of revenue for citations, intergovernmental and housing voucher repayments is not available for current period expenditures and, therefore, is reported as a deferred inflow of resources in the governmental funds.		441,533
Net charge on bond refundings is reported as an expenditure in the governmental funds but is reflected as a deferred outflow of resources in the statement of net position.		14,050
Contributions to the pension plan in the current fiscal year are deferred outflows of resources and pension-related liabilities related to earnings on pension plan investments are deferred inflow of resources in the statement of net position.		1,697,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		46,354,485
Long-term compensated absences, pension benefits and other post-employment benefits are not payable in the current period and are reported as wages and insurance expenditures in the period during which the absence and service occurs in the fund financial statements.		(10,901,250)
Long-term liabilities, including bonds payable, capital lease obligations, and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,939,656)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	$	49,076,152

City of Westminster, Maryland
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Public Housing Agency Fund	Total Government Funds
REVENUES			
Taxes	$ 12,058,463	$ -	$ 12,058,463
Licenses & Permits	606,307	-	606,307
Intergovernmental	2,398,685	2,168,588	4,567,273
Charges for Services	775,162	-	775,162
Fines & Forfeitures	141,900	-	141,900
Interest & Investment Earnings	42,233	-	42,233
Rental Income	9,240	-	9,240
Miscellaneous	346,261	41,958	388,219
TOTAL REVENUES	**16,378,251**	**2,210,546**	**18,588,797**
EXPENDITURES			
General Government	1,630,485	-	1,630,485
Public Safety	6,271,625	-	6,271,625
Public Works	3,086,761	-	3,086,761
Recreation & Parks	1,052,026	-	1,052,026
Community Development & Housing	46,586	2,229,255	2,275,841
Debt Service			
Principal	362,477	-	362,477
Interest	168,925	-	168,925
Capital Outlays	2,127,162	-	2,127,162
TOTAL EXPENDITURES	**14,746,047**	**2,229,255**	**16,975,302**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**1,632,204**	**(18,709)**	**1,613,495**
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	18,587	-	18,587
Transfer in	-	75,000	75,000
Transfer out	(110,000)	-	(110,000)
TOTAL OTHER FINANCING (USES) SOURCES	**(91,413)**	**75,000**	**(16,413)**
NET CHANGE IN FUND BALANCES	**1,540,791**	**56,291**	**1,597,082**
Fund Balances- Beginning of Year	13,640,050	135,995	13,776,045
FUND BALANCES - END OF YEAR	**$ 15,180,841**	**$ 192,286**	**$ 15,373,127**

City of Westminster, Maryland
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 1,597,082
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.	
Add: Capital Outlays	2,127,162
Less: Depreciation Expense	(2,998,808)
Capital assets contributed by third parties are not recorded in the governmental funds but are recognized as capital assets in the government wide statement of net position and as capital contribution revenue in the statement of activities.	440,000
Bond, loan, and lease proceeds provide current financial resources to governmental funds, but issuing debt and lease financing increases long-term liabilities in the government-wide statement of net position. Repayment of debt and loan principal and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.	
Payment of Capital Lease Obligations	34,778
Payment on Bonds Payable	327,700
Property tax, intergovernmental grants, citations, and housing voucher repayments in the statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds.	(4,043)
In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the change in:	
Net Charge on Refunding	(2,810)
Accrued Interest Expense	2,328
Long-Term Portion of Compensated Absences	22,863
Accrued Other Postemployment Benefits	(68,000)
Net Pension Liability	(1,385,808)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 92,444

City of Westminster, Maryland
Statement of Net Position - Proprietary Funds
June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Equity in Pooled Cash & Cash Equivalents				
Unrestricted	$ 8,161,345	$ 6,794,582	$ 289,284	$ 15,245,211
Restricted	4,805,295	597,797	330,657	5,733,749
Accounts Receivable				
Unrestricted	775,379	599,915	37,606	1,412,900
Restricted	78,578	-	-	78,578
Unbilled Services	899,709	763,493	-	1,663,202
Prepaid Items and Deposits	84,276	79,418	522	164,216
Interfund Receivables	357,421	410,096	-	767,517
Due from Other Governments	27,451	-	-	27,451
Inventory	82,401	56,490	-	138,891
TOTAL CURRENT ASSETS	**15,271,855**	**9,301,791**	**658,069**	**25,231,715**
NON-CURRENT ASSETS				
Accounts Receivable	8,662	8,662	-	17,324
Land & Land Rights	54,202	136,713	-	190,915
Construction in Progress	4,017,943	5,578,066	6,239,974	15,835,983
Buildings	41,496	79,579	-	121,075
Equipment	3,268,236	886,230	-	4,154,466
Furniture & Fixtures	1,607	4,807	-	6,414
Infrastructure	18,439,706	29,233,763	1,793,764	49,467,233
Utility Plant & Equipment	16,427,813	11,535,508	-	27,963,321
Vehicles	473,835	645,411	-	1,119,246
	42,724,838	48,100,077	8,033,738	98,858,653
Accumulated Depreciation	21,986,881	13,536,573	358,752	35,882,206
Total Property & Equipment	20,737,957	34,563,504	7,674,986	62,976,447
TOTAL NON-CURRENT ASSETS	**20,746,619**	**34,572,166**	**7,674,986**	**62,993,771**
TOTAL ASSETS	**36,018,474**	**43,873,957**	**8,333,055**	**88,225,486**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - pension related	395,725	352,690	-	748,415
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURC	**$ 36,414,199**	**$ 44,226,647**	**$ 8,333,055**	**$ 88,973,901**

City of Westminster, Maryland
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	$ 296,629	$ 473,622	$ 1,381,059	$ 2,151,310
Accrued Liabilities	718	55,559	11,005	67,282
Compensated Absences - S/T	-	7,966	-	7,966
Unearned Revenue	-	13,178	-	13,178
Capital Lease Obligations	12,704	12,704	-	25,408
General Obligation Bonds Payable	-	873,949	-	873,949
Payable from Restricted Assets Due to Other Governments	243,082	2,291	-	245,373
TOTAL CURRENT LIABILITIES	**553,133**	**1,439,269**	**1,392,064**	**3,384,466**
NON-CURRENT LIABILITIES				
Compensated Absences - L/T	118,709	124,291	594	243,594
Accrued Other Postemployment Benefits	418,000	381,000	-	799,000
Net Pension Obligation	1,296,121	1,124,192	-	2,420,313
Due to Other Governments	226,486	-	-	226,486
General Obligation Bonds Payable	-	7,680,752	5,375,840	13,056,592
TOTAL NON-CURRENT LIABILITIES	**2,059,316**	**9,310,235**	**5,376,434**	**16,745,985**
TOTAL LIABILITIES	**2,612,449**	**10,749,504**	**6,768,498**	**20,130,451**
DEFERRED INFLOWS OF RESOURCES				
Pension - Deferred Inflows	130,097	113,524	-	243,621
NET POSITION				
Net Investment in Capital Assets	20,725,253	25,996,099	2,299,146	49,020,498
Restricted for:				
Future Infrastructure Growth	4,805,295	597,797	330,657	5,733,749
Unrestricted	8,141,105	6,769,723	(1,065,246)	13,845,582
TOTAL NET POSITION	**33,671,653**	**33,363,619**	**1,564,557**	**68,599,829**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 36,414,199**	**$ 44,226,647**	**$ 8,333,055**	**$ 88,973,901**

See Notes to Basic Financial Statements

City of Westminster, Maryland
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
OPERATING REVENUES				
Charges for Services	$ 6,587,898	$ 5,045,375	$ 64,817	$ 11,698,090
Miscellaneous	13,642	71,157	88,499	173,298
TOTAL OPERATING REVENUES	**6,601,540**	**5,116,532**	**153,316**	**11,871,388**
OPERATING EXPENSES				
Administrative & General	1,308,908	1,313,724	-	2,622,632
Sewer Treatment	1,973,567	-	-	1,973,567
Transmission & Distribution	965,394	694,749	-	1,660,143
Water Treatment & Pumping	-	1,507,861	-	1,507,861
Fiber	-	-	149,408	149,408
Depreciation	787,844	847,743	179,376	1,814,963
TOTAL EXPENDITURES	**5,035,713**	**4,364,077**	**328,784**	**9,728,574**
OPERATING INCOME (LOSS)	**1,565,827**	**752,455**	**(175,468)**	**2,142,814**
NON-OPERATING REVENUES (EXPENSES)				
Interest & Investment Earnings	42,233	42,233	-	84,466
Rental Income	-	199,714	-	199,714
Interest Expense	(1,044)	(183,947)	(49,247)	(234,238)
TOTAL NON-OPERATING REVENUES (EXPENSES)	**41,189**	**58,000**	**(49,247)**	**49,942**
INCOME BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS	**1,607,016**	**810,455**	**(224,715)**	**2,192,756**
Capital Contributions	517,035	424,796	-	941,831
Transfer in/(out)	-	-	35,000	35,000
CHANGES IN NET POSITION	**2,124,051**	**1,235,251**	**(189,715)**	**3,169,587**
Net Position - Beginning of Year	31,547,602	32,128,368	1,754,272	65,430,242
NET POSITION - END OF YEAR	**$ 33,671,653**	**$ 33,363,619**	**$ 1,564,557**	**$ 68,599,829**

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Cash Received from Customers	$ 6,381,123	$ 4,978,770	$ 64,817	$ 11,424,710
Miscellaneous	13,642	71,157	72,768	157,567
	6,394,765	5,049,927	137,585	11,582,277
Outflows:				
Cash Paid to Suppliers	2,526,251	2,357,167	149,930	5,033,348
Cash Paid to Employees	1,204,530	1,227,741	-	2,432,271
	3,730,781	3,584,908	149,930	7,465,619
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**2,663,984**	**1,465,019**	**(12,345)**	**4,116,658**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Inflows:				
Rental Income	-	199,714	-	199,714
Cash received from other funds	28,263	(6,786)	-	21,477
Transfers In/Out	-	-	35,000	35,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**28,263**	**192,928**	**35,000**	**256,191**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Inflows:				
Capital Contributions & Grants	223,035	182,796	-	405,831
Bond Proceeds	-	-	4,466,988	4,466,988
	223,035	182,796	4,466,988	4,872,819
Outflows:				
Interest Paid	1,721	189,136	39,601	230,458
Principal Paid	257,655	879,570	-	1,137,225
Purchase of Capital Assets	1,106,519	1,712,784	4,044,956	6,864,259
	1,365,895	2,781,490	4,084,557	8,231,942
NET CASH PROVIDED BY (USED IN) CAPITAL & RELATED FINANCING ACTIVITIES	**(1,142,860)**	**(2,598,694)**	**382,431**	**(3,359,123)**

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Interest on Investments	42,233	42,233	-	84,466
NET CASH PROVIDED BY INVESTING ACTIVITIES	**42,233**	**42,233**	**-**	**84,466**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,591,620**	**(898,514)**	**405,086**	**1,098,192**
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	11,375,020	8,290,893	214,855	19,880,768
CASH & CASH EQUIVALENTS - END OF YEAR	**$ 12,966,640**	**$ 7,392,379**	**$ 619,941**	**$ 20,978,960**
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
CURRENT ASSETS				
Equity in Pooled Cash & Cash Equivalents				
Unrestricted	$ 8,161,345	$ 6,794,582	$ 289,284	$ 15,245,211
Restricted	4,805,295	597,797	330,657	5,733,749
CASH & CASH EQUIVALENTS - END OF YEAR	**$ 12,966,640**	**$ 7,392,379**	**$ 619,941**	**$ 20,978,960**
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to Infrastructure	$ 294,000	$ 242,000	$ -	$ 536,000
Accounts payable included in purchase of capital assets	$ -	$ -	$ 1,301,768	$ 1,301,768

See Notes to Basic Financial Statements

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net operating income (loss)	$ 1,565,827	$ 752,455	$ (175,468)	$ 2,142,814
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	787,844	847,743	179,376	1,814,963
Changes in Assets and Liabilities				
Accounts Receivable	(206,775)	(66,605)	(15,731)	(289,111)
Prepaid Items & Deposits	3,172	8,010	(522)	10,660
Inventory	1,320	-	-	1,320
Accounts Payable	87,793	(121,852)	-	(34,059)
Accrued Expenses	71,889	32,023	-	103,912
Due to Other Governments	353,547	1,131	-	354,678
Compensated Absences	(633)	12,114	-	11,481
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 2,663,984	$ 1,465,019	$ (12,345)	$ 4,116,658

Note 1. Overview and Summary of Significant Accounting Policies

Reporting Entity

The City of Westminster, Maryland (the City), was incorporated as a city by Chapter 418 of the Acts of 1838. That charter was amended by Chapter 335 of the Acts of 1856, which characterized the municipality as a city known as the Mayor and Common Council of Westminster.

The City operates under a Mayor-Council supervised form of government and provides the following services as authorized by its charter: general administrative, planning and zoning, public safety, highways and streets, parking, sanitation, recreation and culture, community development and housing, and water and sewer services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based upon the application of these criteria, there are no separate component units of the City.

Basic Financial Statements - Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general government (general administrative, planning and zoning), public safety, public works (highways and streets, parking, and sanitation), recreation and culture, and community development and housing services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are using the economic resources measurement focus and accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Generally, the effect of interfund activity has been removed from these statements. The City's net position, is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or business-type activity. Program revenues include revenues from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

The City utilizes various criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities is reported as fund balance. The following is a description of the City's major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Fund - The Public Housing Agency Fund is used to account for the proceeds of federal funds regulated by the Department of Housing and Urban Development, and for the expenditures that are legally restricted for low-income housing program purposes.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues for the City's proprietary funds are charges for water, sewer, and fiber optic leasing services. Operating expenses for the City's proprietary funds include source of supply, water and sewer treatment and pumping costs, water and sewer transmission and distribution costs, fiber optic cable maintenance, administrative and general, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

The City's proprietary funds are all classified as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity meet any of the following criteria; (a) government officials elect to report the activity as an enterprise fund (b) financed with debt that is solely secured by a pledge of the net revenues, (c) third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (d) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the City's major enterprise funds:

Water Fund - The Water Fund is used to account for the revenues generated from the charges for distribution of potable water to residential and commercial users of the City and associated expenses.

Sewer Fund - The Sewer Fund is used to account for the revenues generated from the charges for sewer services provided to residential and commercial users of the City and associated expenses.

Fiber Fund - The Fiber Fund is used to account for the revenues generated from the charges for the use of a high-speed fiber optic network provided to residential and commercial users in the City and associated expenses.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when 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 eligible requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or within 60 days after year-end. The City considers all revenues to be available if they are collected within sixty days after the end of the current fiscal year. Expenditures are generally recognized under when the related liability is incurred, as

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

under accrual accounting. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred inflows by the recipient.

Cash and Cash Equivalents

The City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Receivables

All receivables are reported at the original amount less an estimate for uncollectible amounts. It is management's policy to use the aggregate of all accounts that are delinquent one year or more on police tickets and 85% of the aggregate housing assistance repayments as the basis and determination of the allowance for doubtful accounts. For proprietary funds, management determines the provision for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The City maintains one restricted receivable associated with Bay Restoration Fees billed and eventually collected, on behalf of the State.

Unbilled Services

Unbilled customer service receivables for water consumption and related sewer charges are based upon the actual quantity of water used during the subsequent billing periods and the previous year's respective billing periods, depending on the availability of related consumption read information when unbilled services are estimated.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

Deferred Outflows are the consumption of net position by the City that is applicable to a future reporting period. As of June 30, 2017, the City's deferred outflows consist of pension related assets and a net charge on a bond refunding.

Inventory

Inventories of materials are maintained in the General, Water, and Sewer Funds. Materials are carried in an inventory account at cost using the first-in, first-out method and are subsequently charged to expenditures when consumed.

Capital Assets

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Capital assets with a value of $10,000 or more are capitalized by the City. The City regularly evaluates its capital assets in order to determine the appropriate useful lives. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and Improvements other than Buildings	7 - 41
Equipment and Vehicles	5 - 10
Furniture and Fixtures	5
Infrastructure	7 - 100
Utility Plant	10 - 40
Water Use Rights	40

Government-Wide Financial Statements - In the government-wide financial statements, governmental fund capital outlay are accounted for as capital assets.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Interfund Activity

The City allocates to several funds a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for such funds.

Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds.

On fund financial statements, interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Regular employees are granted vacation leave based on the number of continuous service years. A maximum of 40 days of annual leave may be carried over to subsequent years. Upon termination, the employees will be paid for the number of days they have accrued.

The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds. The City estimates the current portion of compensated absences based on known or anticipated retirements for the forthcoming calendar year. The remainder of the obligation for compensated absences is reported as a long-term liability in the government-wide financial statements and the proprietary fund financial statements.

Deferred Inflows of Resources

This financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, income taxes, fines and penalties, grants, and reimbursements of housing assistance from tenants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows also include pension-related liabilities.

Unearned Revenue

Both governmental and proprietary funds report revenue received in advance of the City providing services as unearned. As of June 30, 2017, governmental and proprietary funds reported unearned revenues of $367,888 and $13,178, respectively.

Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method.

Net Position

In the government-wide financial statements and proprietary fund financial statements, net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources and is classified in the following three categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City which is not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the fund financial statements.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Fund Balance

In the governmental fund financial statements the City classifies governmental fund balances as follows:

Nonspendable - This category includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual agreements.

Restricted - This category includes fund balance amounts that are considered restricted for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - This category includes fund balance amounts for which constraints have been imposed by the government itself using the highest level of decision-making authority. A majority of the Mayor and Common Council must approve, by consensus vote, the establishment of a fund balance commitment or assignment as well the elimination of any fund balance commitment.

Assigned - This category includes fund balance amounts intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the Mayor and Common Council.

Unassigned - This category includes the residual positive fund balance of the General Fund which has not been classified within the other above mentioned categories. The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

Budgets and Budgetary Accounting

The City prepares an annual operating budget for the General Fund and the Enterprise Funds on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations for salaries and operating expenses lapse at the fiscal year-end. Budget revisions receive approval of the Mayor and Common Council. There were two budget revisions approved by the Mayor and Common Council during the year ended June 30, 2017.

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 2. Fair Value Measurement

The City has adopted GASB Statement No. 72 - Fair Value Measurement and Application. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

During the year ended June 30, 2017, certain capital assets consisting of land improvements and infrastructure were donated to the City by a third party. The City valued the assets based on what it would have paid if it were to have purchased those assets in the marketplace, which are classified within Level 2 of the fair value hierarchy. No other assets or liabilities are measured at fair value as of June 30, 2017. The following table presents, by level within the fair value hierarchy, the City's investment in capital assets at fair value as of June 30, 2017.

Assets measured at fair value	Fair value as of June 30, 2017	Level 1	Level 2	Level 3
Improvements Other Than Buildings	$ 440,000	$ -	$ 440,000	$ -
Infrastructure	536,000	-	536,000	-
Capital Assets	$ 976,000	$ -	$ 976,000	$ -

Note 3. Deposits and Investments

The City follows Government Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The City maintains a cash and investment pool that is available for use by all funds. The City is governed by the deposit and investment limitations of Maryland law. The City is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state an investment vehicle for short-term investment of funds. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution. A MLGIP Advisory Committee of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2017, all pool holdings are in cash and cash equivalents with a weighted average maturity of 37 days. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 and also issues a publicly available financial report that includes financial statements and required supplemental information for the MLGIP. This report can be obtained in writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160, or the website, www.mlgip.com. As of June 30, 2017, the City had total investments in MLGIP of $6,485,949 which have been reflected as equity in pooled cash and cash equivalents

Restricted cash and cash equivalents at June 30, 2017 consisted of the following

	Governmental Activities	Business-Type Activities
Future Infrastructure Growth	$ -	$ 5,733,749
Capital Improvement Projects	3,240,141	-
Future Healthcare Costs	2,421,272	-
Community Development	475,953	-
Housing Voucher Program	197,452	-
Judicial Mandates	96,318	-
Developer Deposits	23,034	-
Benefit Assessments	160,438	
City Program Commitments	94,698	-
Total Restricted Cash and Cash Equivalents	$ 6,709,306	$ 5,733,749

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of $33,481,785 at June 30, 2017, of which $2,006,017 was covered by federal depository insurance. The remaining amount of $31,475,768 was fully collateralized by securities pledged and held by a financial institution's trust department or agent, not in the City's name, as of June 30, 2017.

Interest Rate Risk

The City's formal investment policy manages its exposure to fair value losses arising from increasing interest rates by limiting investments in securities to those maturing within three years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed 30 years to maturity. Reserve funds may be invested in securities exceeding 30 days if the maturity of such investment coincides as nearly as practicable with the expected use of funds. Maturities of investments held at June 30, 2017 are disclosed under deposits and investments.

Credit Risk

The City's formal investment policy does not limit its investment choices beyond the limitations of State law, which are as follows:

1. An obligation for which the United States has pledged its faith and credit for the payment of principal and interest.

2. An obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress.

3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer.

4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer.

Note 3. Deposits and Investments (Continued)

5. Commercial Paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States SEC provided that such Commercial Paper may not exceed five percent of the total investments made by the Treasurer under this subsection.

6. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States SEC issued by, or on behalf of, this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or any fund or trust that invests only in securities of the type described in this paragraph.

7. Money market mutual funds that:

   a. contain only securities of the organizations listed in items 1, 2, and 3 of this subsection;

   b. are registered with the SEC under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and

   c. are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended.

8. Any investment portfolio created under the MLGIP defined under Article 95 22G of the code that is administered by the office of the State Treasurer.

9. Interest-bearing time deposits (including certificates of deposit) and/or savings accounts in any bank(s) or savings and loan association(s) in the State of Maryland, which are collateralized, as provided in the State Finance and Procurement Article.

Concentration of Credit Risk

Based on the formal investment policy, the City invests no more than 70% of its total investment portfolio in any single security type or in any single financial institution, excluding the MLGIP. At June 30, 2017, the City had no concentration of credit risk.

Note 4. Loan Receivable and Related Forgiveness

In February 1998, the City loaned $50,000 to Human Services Program of Carroll County, Inc., a local not-for-profit organization, to assist with the organization's project to rehabilitate a shelter building. The agreement provided that no payments of principal or interest shall be due under the note and the principal shall be forgiven at the rate of $1,650 per year while the property is utilized as a shelter for low- and moderate-income families and individuals. If not paid off by the organization due to modification of use, the entire indebtedness will be forgiven by February 25, 2028. As of June 30, 2017, $18,650 remains outstanding on the loan, $1,650 of which has been classified as a current asset.

Note 5. Capital Assets

A summary of governmental activities follows:

	Balance July 1, 2016	Increases	Decreases	Transferred to Active Status	Balance June 30, 2017
Capital Assets					
Non-Depreciable Assets					
Land and Land Rights	$ 1,744,172	$ -	$ -	$ -	$ 1,744,172
Construction in Progress	475,199	350,365	-	(339,764)	485,800
Total Non-Depreciable Assets	2,219,371	350,365	-	(339,764)	2,229,972
Depreciable Assets					
Buildings	14,764,293	35,000	-	-	14,799,293
Equipment	3,704,563	138,532	85,356	-	3,757,739
Furniture and Fixtures	128,041	93,945	-	-	221,986
Improvements Other than Buildings	9,640,047	774,993	-	-	10,415,040
Infrastructure	49,352,791	905,789	-	339,764	50,598,344
Vehicles	2,949,197	268,538	185,998	-	3,031,737
Water Use Rights	1,400,000	-	-	-	1,400,000
Total Depreciable Assets	81,938,932	2,216,797	271,354	339,764	84,224,139
Total Capital Assets	84,158,303	2,567,162	271,354	-	86,454,111
Accumulated Depreciation					
Buildings	5,174,914	427,785	-	-	5,602,699
Equipment	2,697,535	228,165	85,356	-	2,840,344
Furniture and Fixtures	128,041	1,690	-	-	129,731
Improvements Other than Buildings	4,802,989	351,811	-	-	5,154,800
Infrastructure	22,438,691	1,718,456	-	-	24,157,147
Vehicles	2,115,419	235,901	185,998	-	2,165,322
Water Use Rights	14,583	35,000	-	-	49,583
Total Accumulated Depreciation	37,372,172	2,998,808	271,354	-	40,099,626
Total Capital Assets, Net	$ 46,786,131	$ (431,646)	$ -	$ -	$ 46,354,485

Management has evaluated the useful lives of all capital assets and has determined that no change is necessary at this time.

Note 5. Capital Assets (continued)

Governmental improvements other than buildings included in the capital asset activity listed above include land improvements donated to the City. These land improvements are reported at their acquisition value ($440,000), an estimate of a price that would be paid to acquire similar assets in an orderly market transaction at the acquisition date, (see Note 2) (Level 2 Inputs). This donation was recorded as capital grant and contribution revenue on the government-wide statement of activities.

Accumulated costs attributable to projects included in construction in progress at June 30, 2017 are as follows:

Governmental Activities		
Stormwater Mitigation	$	334,773
Wakefield Development		112,417
Permits and license software		20,722
Streets		16,500
Radio Console - Police Headquarters		1,388
Total Construction in Progress	$	485,800

Depreciation expense, including depreciation expense on assets under capital lease, was charged to governmental activities functions as follows:

Governmental Activities		
General Government	$	239,540
Public Safety		163,429
Public Works		2,220,383
Recreation and Culture		356,691
Community Development		18,765
Total Depreciation Expense	$	2,998,808

Note 5. Capital Assets (continued)

A summary of business-type activities follows:

	Balance July 1, 2016	Increases	Decreases	Transferred to Active Status	Balance June 30, 2017
Capital Assets					
Non-Depreciable Assets					
Land and Land Rights	$ 190,915	$ -	$ -	$ -	$ 190,915
Construction in Progress	8,091,628	7,744,355	-	-	15,835,983
Total Non-Depreciable Assets	8,282,543	7,744,355	-	-	16,026,898
Depreciable Assets					
Buildings	117,375	3,700	-	-	121,075
Equipment	3,997,773	156,693	-	-	4,154,466
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	48,851,013	616,220	-	-	49,467,233
Utility Plan	27,938,330	24,991	-	-	27,963,321
Vehicles	963,178	156,068	-	-	1,119,246
Total Depreciable Assets	81,874,083	957,672	-	-	82,831,755
Total Capital Assets	90,156,626	8,702,027	-	-	98,858,653
Accumulated Depreciation					
Buildings	13,843	5,886	-	-	19,729
Equipment	3,112,431	178,705	-	-	3,291,136
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	16,315,944	947,487	-	-	17,263,431
Utility Plant	14,013,711	605,855	-	-	14,619,566
Vehicles	604,900	77,030	-	-	681,930
Total Accumulated Depreciation	34,067,243	1,814,963	-	-	35,882,206
Total Capital Assets, Net	$ 56,089,383	$ 6,887,064	$ -	$ -	$ 62,976,447

Management has evaluated the useful lives of all capital assets and has determined that no change is necessary at this time.

Business-type infrastructure included in the capital asset activity listed above includes infrastructure donated to the City. This infrastructure is reported at its acquisition value, $536,000, an estimate of a price that would be paid to acquire similar assets in an orderly market transaction at the acquisition date, (see note 2) (Level 2 Inputs). This donation was recorded as capital grant and contribution revenue on the government-wide statement of activities

Note 5. Capital Assets (Continued)

Accumulated costs attributable to projects included in construction in progress at June 30, 2017 are as follows:

Water Fund		
Gesell Well/Little Pike Creek	$	3,138,297
Well #8 (Radon/Nitrate Storage)		1,277,538
Hydes Quarry (New Water Source)		725,939
Water Main - Hollow Rock/City View		431,442
Geographic Information System Project		4,853
Total Water Fund		5,578,069
Sewer Fund		
Enhanced Nutrient Removal Project & Biosolids Upgrade - WWTP		4,005,792
Geographic Information System Project		12,152
Total Sewer Fund		4,017,944
Fiber Enterprise Fund		
Fiber - City-Wide		6,239,970
Total Fiber Enterprise Fund		6,239,970
Total Construction in Progress	$	15,835,983

Depreciation expense, including depreciation expense on assets under capital lease, was charged to business-type functions as follows:

Water Fund	$	847,743
Sewer Fund		787,844
Fiber Enterprise Fund		179,376
Total Depreciation Expenses	$	1,814,963

Note 6. Loan Payable

In February 2007, the City received $100,000 in zero-interest financing from the Westminster Town Center Corporation to be used for the purchase and rehabilitation of certain properties to be sold as affordable housing to qualified buyers. The loan is payable upon the sale of the related properties. During 2015, the related properties were sold and the conditions for repayment were satisfied. As of June 30, 2017, the loan remains outstanding and will be paid upon the reestablishment of the Corporation.

Note 7. Due to Other Governments

In prior years, the City received $478,000 from the Carroll County Commissioners of Maryland in relation to agreements to provide water service to the County Airport and County Industrial Park Complex in the amount of $228,000 and for project costs for expanding permanent sewage infrastructure along Maryland Route 31 and the Adams Mill Road Vicinity (the "Avondale" area) in the amount of $250,000. Both amounts bear no interest and no repayment guidelines, and have been classified as non-current obligations of the City. As of June 30, 2017, $77,449 and $149,037 are outstanding on the County Airport and County Avondale obligations, respectively.

Note 8. Capital Leases

The City has entered into several agreements to lease server configuration equipment and fitness equipment. The obligations are secured by the related assets and carry stated interest rates from 6.17% to 10.36%.

At June 30, 2017, future minimum payments required under leases with terms greater than one year, and the present value of minimum capital lease payments, were as follows:

Years Ending June 30,	Governmental Activities	Business-Type Activities
2018	$ 31,720	$ 26,976
Less: Amount Representing Interest	1,632	1,568
Present Value of Net Future Minimum Capital Lease Payments Included in General Long-Term Debt - Current Portion	$ 30,088	$ 25,408

Assets under capital lease included in Property and Equipment at June 30, 2017 include the following:

	Governmental Activities	Business-Type Activities
Asset Cost under Capital Lease		
Equipment	$ 215,043	$ 303,354
Less: Accumulated Depreciation	81,667	163,353
Total Asset Cost under Capital Lease, Net	$ 133,376	$ 140,001

Note 9. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Type of Debt	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 4,212,000	$ -	$ 327,700	$ 3,884,300	$ 340,100
Capital Lease Obligations	64,866	-	34,778	30,088	30,088
Other Long-Term Liabilities:					
Compensated Absences	477,210	350,000	393,147	434,063	22,627
Net OPEB Obligations	1,333,000	68,000	-	1,401,000	-
Net Pension Liability	7,500,097	1,588,717		9,088,814	-
Total Governmental Activities	$ 13,587,173	$ 2,006,717	$ 755,625	$ 14,838,265	$ 392,815
Business-Type Activities					
General Obligation Bonds Payable	$ 10,324,658	$ 4,466,988	$ 861,105	$ 13,930,541	$ 873,949
Capital Lease Obligations	62,338	-	36,930	25,408	25,408
Other Long-Term Liabilities:					
Compensated Absences	239,485	205,000	192,925	251,560	7,966
Net OPEB Obligations	721,000	78,000	-	799,000	-
Due to Other Governments	226,486	-	-	226,486	-
Net Pension Liability	2,245,012	175,301		2,420,313	-
Total Business-Type Activities	$ 13,818,979	$ 4,925,289	$ 1,090,960	$ 17,653,308	$ 907,323

Other long-term liabilities in governmental and business-type activities are liquidated from general revenues in the respective General, Public Housing Agency, Water, and Sewer Funds, as applicable.

The full faith and credit and taxing powers of the City are pledged in payment of any deficiency in the funding of the principal and interest payments of all general obligation bonds.

Note 9. Long-Term Debt (Continued)

General Obligation Bonds outstanding as of June 30, 2017 are composed of the following:

Governmental Activities General Obligation Bonds Payable		
$4,820,000 Infrastructure Bonds - 2005 Series A due in annual principal payments of $148,000 - $300,000 plus interest paid semi-annually at rates of 4.00% - 4.40%. The bond matures on May 1, 2030.	$	3,087,900
$1,541,400 Infrastructure Bonds - 2012 Series B due in annual principal payments of $157,500 - $165,500 plus interest paid semi-annually at rates of 0.61% - 2.53%. The bond matures on May 1, 2022.		796,400
Total Governmental Activities General Obligation Bonds Payable		3,884,300
Business-Type Activities General Obligation Bonds Payable		
Water Fund		
Drinking Water Bond, Series 2000, in the amount of $1,269,858. Due in annual principal payments of $66,965 - $80,145 plus interest paid semi-annually at a rate of 2.6%. The bond matures on February 1, 2021.		308,601
Drinking Water Bond, Series 2007, in the amount of $9,850,906. Due in annual principal payments of $552,341 - $546,872 plus interest paid semi-annually at a rate of 1.0%. Interest payments began on August 1, 2007 and principal payments began on February 1, 2010. The bond matures on February 1, 2027.		5,451,966
Drinking Water Bond, Series 2008, in the amount of $4,415,138. Due in annual principal payments of $204,614 - $285,190 plus interest paid semi-annually at a rate of 2.4%. Interest payments began on August 1, 2009 and principal payments began on February 1, 2010. The bond matures on February 1, 2028.		2,794,134
Fiber Fund		
General Obligation Bond, Series 2015A, in the amount of $14,000,000. Due in annual principal payments beginning November 2020 - plus monthly interest payments based on a rate of 1.46% + LIBOR. Interest payments began in November 2015. The bonds mature on October 1, 2045.		5,375,840
Total Business-Type Activities General Obligation Bonds Payable		13,930,541
Total General Obligation Bonds Payable	$	17,814,841

Note 9. Long-Term Debt (Continued)

The principal and interest requirements to maturity of the general obligation bonds payable debt of all funds are as follows:

Years Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	$ 340,100	$ 147,019	$ 873,949	$ 147,052
2019	346,500	137,250	887,025	133,976
2020	357,800	126,962	900,339	170,227
2021	369,900	115,884	1,026,327	177,894
2022	382,000	103,881	1,016,837	571,076
2023-2027	958,000	304,374	4,756,773	536,532
2028-2032	1,130,000	126,940	1,284,535	249,556
2033-2037	-	-	1,080,743	145,323
2038-2042	-	-	1,229,901	27,570
2043-2047	-	-	874,112	8,178
	$ 3,884,300	$ 1,062,310	$ 13,930,541	$ 2,167,384

Interest costs incurred and charged to expense for the year ended June 30, 2017 for governmental activities and business-type activities were $166,597 and $234,238, respectively.

Note 10. Conduit Debt

From time to time, the City has issued Economic Development and Educational Facilities Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there were various series of Economic Development Revenue Bonds and Educational Facilities Revenue Bonds outstanding, with an aggregate principal amount payable of $107,473,410.

Note 11. Interfund Transactions

Interfund receivable and payable balances at June 30, 2017 consisted of the following:

	Due From					
Due To		General Fund		Public Housing Agency Fund		Total
General Fund	$	(2,284)	$	2,284	$	-
Sewer Fund		357,421		-		357,421
Water Fund		410,096		-		410,096
Total	$	765,233	$	2,284	$	767,517

The City established an earmarked fund for estimated future OPEB obligations in the General Fund. Since no irrevocable trust has been established, a long-term liability for the Net OPEB Obligation (NOO) remains outstanding for both the Sewer and Water Funds, offset by interfund receivable from the General Fund, where these funds are maintained, which is not expected to be collected in the subsequent year.

All remaining interfund balances resulted from the time lag between the dates that:

1) interfund goods and services are provided or reimbursable expenditures occur,
2) transactions are recorded in the accounting system, and
3) payments between funds are made, and are expected to be repaid within the following year.

An interfund transfer of $75,000 was made between the General Fund and the Public Housing Agency Fund for operating expenditures.

Note 12. Net Position and Fund Balances

The governmental fund balances at June 30, 2017, are summarized as follows:

	General Fund	Public Housing Agency Fund	Total
Non-Spendable:			
Prepaid Expenditures	$ 205,484	$ 7,778	$ 213,262
Inventory	74,635	-	74,635
Loans Receivable	17,000	-	17,000
Subtotal	297,119	7,778	304,897
Restricted:			
Housing Voucher Program	-	184,508	184,508
Capital Improvements	1,645,067	-	1,645,067
Employee Flexible Spending Account	22,685	-	22,685
Police Non-Budgeted	78,089	-	78,089
Subtotal	1,745,841	184,508	1,930,349
Committed to:			
Police Discretionary Use	17,434	-	17,434
Assigned to:			
Community Development	475,953	-	475,953
Tree Commission	7,421	-	7,421
Subtotal	483,374	-	483,374
Unassigned	12,637,073	-	12,637,073
Total Fund Balance	$ 15,180,841	$ 192,286	$ 15,373,127

The government-wide statement of net position for the year ended June 30, 2017 reports $1,989,122 and $5,733,749 of restricted net position for the City's governmental and business-type activities, respectively, of which $1,989,122 and $5,733,749, respectively, are restricted by enabling legislation.

Note 13. Property Taxes

The amount of the tax levy in the corresponding tax year shall constitute a determination of the amount to be raised. Property taxes are due and payable on the first day of July on the year for which they are levied and become overdue and in arrears on the first day of the following October. The Mayor and Common Council also have the authority to levy a half-year tax on new construction due and payable on January 1st in the year such tax is levied. The tax rate for the year ended June 30, 2017 was $0.56 per $100 of assessed property value.

Personal property taxes are levied annually. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value. For tangible business and personal property, the rate per $100 of assessed value was $1.10 in fiscal year 2017. For tangible utility property, the rate per $100 of assessed value was $1.40 in fiscal year 2017.

Note 14. Rental Income Agreements

The City has entered into communication tower lease agreements with various unrelated parties. All lease agreements are renewable for four successive five-year periods at the lessee's discretion. Rental income for the year ended June 30, 2017 was $199,714. Future minimum annual rental income for the Water Fund as of June 30, 2017 is as follows:

Years Ending June 30,		
2018	$	187,663
2019		206,502
2020		213,502
2021		180,690
2022		126,733
Thereafter		16,116
Total Minimum Rental Income	$	931,206

Note 15. Operating Leases

The City entered into a five-year operating lease, dated April 2012, with an unrelated party for the leasing of office space through March 2015, with the option to renew for an additional three-year period. During 2015, the lease was renewed for an additional three-year period through March 2018. The lease agreement states that the City is responsible for 56% of real estate taxes levied against the premises, as well as fifty 56% of annual operating expenses incurred by the landlord. Upon renewal, the monthly lease amounts increased 1.54%, 1.52%, and 1.49% annually beginning in April 2015.

Note 15. Operating Leases (Continued)

The City also entered into an operating lease, dated February 2005, with an unrelated party for the leasing of a parking lot through February 2015. The rental agreement is renewable for two additional three-year periods at the City's discretion. During 2015, the lease was renewed for the first of two three-year periods through February 2018.

In addition, the City has various operating leases with unrelated parties for copiers through August 2021.

The following is a schedule of future minimum rental payments required under the operating leases as of June 30, 2017:

Years Ending June 30,	Governmental Activities	Business-Type Activities
2018	$ 94,866	$ 67,840
2019	31,802	3,738
2020	31,088	3,024
2021	20,894	1,612
2022	4,761	291
Thereafter	373	-
Total Minimum Lease Payments	$ 183,784	$ 76,505

Rent expense for governmental and business-type activities for the year ended June 30, 2017 was $115,002 and $89,440, respectively.

Note 16. Defined Contribution Plans

The City, in accordance with Common Council approval, has two defined contribution plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a), respectively. The 457(b) plan is available to all regular full-time and part-time employees, and the 401(a) plan is available to those employees who are not members of the Law Enforcement Officers' Pension System (LEOPS) of Maryland with at least six months of employment service. The 457(b) and 401(a) plans have 102 and 82 active participants, respectively, as of June 30, 2017.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer the lesser of $18,000, adjusted annually for cost-of-living increases, and up to an additional $6,000 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. In addition, the City's 457(b) plan contains a Roth IRA option allowing after-tax contributions up to an annual maximum of $5,500, with an additional $1,000 catch-up for employees age 50 or over. No City contributions were made to the 457(b) plan for the year ended June 30, 2017.

Note 16. Defined Contribution Plans (Continued)

The 401(a) plan permits the City to contribute two percent of eligible employees' salary to a maximum of $50,000 per employee, adjusted annually for cost-of-living increases, to this plan based on attaining six months of service. Employees are fully vested in this plan upon contribution. The City contributed $77,597 to the 401(a) plan for the year ended June 30, 2017.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries; thus, the plan assets are not reflected in the financial statements of the City.

Note 17. Pension Plans

The City adopted GASB No. 68 - Accounting and Financial Reporting for Pensions (GASB 68) during the year ended June 30, 2015. The City participates in the Maryland State Retirement and Pension System (the System) and qualifies as a Participating Governmental Unity (PGU) in the plan. The State Retirement Agency (the Agency) is the plan administrator and fiduciary for the plan. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense. The City's proportionate share is based on total System contributions of approximately 0.0488% (0.0199% Employees' Combined System (ECS) and 0.0289% Law Enforcement Officers' Pension System (LEOPS), respectively) as of the measurement date of June 30, 2016.

The City has also adopted GASB No. 71-Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plans subsequent to the measurement date be recognized as deferred outflows of resources. The City's fiscal 2017 contributions in December 2016 of $981,874 ($383,805 for ECS and $598,069 for LEOPS) are therefore recognized as pension-related deferred outflows of resources.

In March 2016, the GASB issued Statement No. 82 - Pension Issues ("GASB 82"), which is effective for financial statements with periods beginning after June 15, 2016. This statement amends GASB 68 to require the presentation of covered payroll (the payroll or compensation paid to all employees on which contributions to the pension plan are based), and the related ratios, in the required supplementary information. Previously, GASB 68 required presentation of covered-employee payroll (the payroll of employees that are provided with pensions through the pension plan,) and the related ratios, in the required supplementary information. The City adopted GASB 82 during fiscal year 2017 and has retroactively applied the related changes to the accompanying required supplementary information to reflect covered payroll instead of covered-employee payroll for all periods presented.

Note 17. Pension Plans (Continued)

The City's employees who participate in ECS were required to contribute five or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City's employees who participate in LEOPS were required to contribute four, five, or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City contributed $950,272 to the System for fiscal year 2017, which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense its proportionate share of the City's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets, and its proportion share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Basis of presentation and basis of accounting

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

2. Actual employer contributions billed to participating government units for the year ended June 30, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately $251 million to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland.

Note 17. Pension Plans (Continued)

3. The components of the calculation of the net pension liability for the System as of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	$ 68,959,954,000
Plan Fiduciary Net Position	45,365,927,000
Net Pension Liability	$ 23,594,027,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.79%

Actuarial Assumptions

- Actuarial - Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed
- Remaining Amortization Period: In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013, actuarial valuation: 25 years for the State Systems, 26 years for LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
- Asset Valuation Method: 5-year smoothed market; 20% collar
- Inflation: 2.7% general and 3.2% wage.
- Salary Increases: 3.3% to 9.2% including inflation.
- Discount Rate: 7.55%
- Investment Rate of Return: 7.55%
- Retirement Age: Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
- Mortality: RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Note 17. Pension Plans (Continued)

Note: There were no benefit changes during the year. Adjustments to the rollforward liabilities were made to reflect the change in the Inflation assumptions from 2.95% and 3.45% to 2.7% and 3.2%. Investment returns assumptions did not change from last year.

Investments

The long-term expected rate of return on the 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 by adding expected inflation. Best estimates of geometrical real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(s).

For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Fixed Income	20%	1.30%
Credit Opportunity	9%	4.20%
Real Return	0%	0.00%
Absolute Return	9%	3.70%
Private Equity	10%	7.40%
Real Estate	15%	4.70%
Cash	0%	0.00%
Total	100%	

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

Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine the 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

Note 17. Pension Plans (Continued)

these assumptions, the pension plan's fiduciary new 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 in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net liability, calculated using a single discount rate 7.55%, a single discount rate that is 1 percentage point lower (i.e., 6.55%) and a single discount rate that is 1 percentage point higher (i.e., 8.55%):

	1% Lower 6.55%	Current Rate 7.55%	1% Higher 8.55%
The System's Net Pension Liability	$ 32,408,442,000	$ 23,594,027,000	$ 16,259,112,000
The City's Proportionate Share of Net Pension Liability	$ 15,808,784	$ 11,509,127	$ 7,931,168

Pension Plan Description

Organization

The State Retirement Agency (the Agency) is administrator of the System. The system was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowance 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 System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The "State Pool" consists of the State agencies, board of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elected to join the System (the Municipal Pool) share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payments 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 members or beneficiaries as defined by the terms of plan. Consequently, the System is accounted for as a single plan as defined in Governmental

Note 17. Pension Plans (Continued)

Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans - An Amendments 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 System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The City's employees participate in the Employees' Retirement and Pension System and the Law Enforcement Officers' Pension System.

Non-Uniformed Employees

Covered Members

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continued to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive 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 benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit

Note 17. Pension Plans (Continued)

attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that are based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service Retirement Allowances

A member of the 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 AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has 10 years of eligibility service. For most individuals who retired from the Employees' Pension System on or before June 30, 2006 the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the 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 Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the Social Security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the Social Security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Note 17. Pension Plans (Continued)

Vested Allowances

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

Early Service Retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility services. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%. An individual who is a member of Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Pension System is 42%. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Pension System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating five years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Note 17. Pension Plans (Continued)

Adjusted Retirement Allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two-part combination COLA depending upon the COLA election made by the member. With certain exceptions, effective July 1, 1998, for Teachers', Employees', and Law Enforcement Officers' Pension System retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increase to pension allowance for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhance pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011 for benefits attributable to service earned on or after July 1, 2011, in all of the systems excepts the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increases in the CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in the CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowance will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Law Enforcement Officers

Covered Members

On July 2, 1990, the Law Enforcement Officers Pension System (LEOPS) was established to provide retirement allowances and other benefits to all uniformed law enforcement officers of the State of Maryland and law enforcement officers, firefighters and paramedics of participating governmental units. Effective January 1, 2005, the LEOPS Retirement Plan was closed to new members and the LEOPS Pension Plan was established. As a result, all employees hired after December 31, 2004, became members of the LEOPS Pension Plan.

Note 17. Pension Plans (Continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive 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 benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service Retirement Allowances

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of creditable services regardless of age. The annual retirement allowance equals 2.3% of the members for the first 30 years of creditable service plus an additional 1% of AFC for each additional year for an individual who is subject to the LEOPS retirement plan provisions. The annual retirement allowance equals 2.0% of AFC for the three highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for member's subject to the LEOPS retirement plan provisions who became members on or before June 30, 2011. The annual retirement allowance equals 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for members subject to the LEOPS retirement plan provisions who became members after July 1, 2011. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to the date of retirement.

Note 17. Pension Plans (Continued)

Vested Allowances

Any individual who is a member of the LEOPS on or before June 30, 2011 is eligible for vested pension allowances after separation from service and upon attaining age 50, provided they accumulated at least five years of eligibility service prior to separation. Any individual who joins the LEOPS on or after July 1, 2011 is eligible for vested pension allowances after separation from service upon attaining age 50, provided that they accumulated at least 10 years of eligibility service prior to separation. Vested allowances equal the normal service retirement or pension allowances computed on the basis of the member's accumulated creditable service and AFC at the date of separation.

Early Service Retirement

LEOPS members are not eligible for early service retirement allowances.

Disability and Death Benefits

LEOPS members covered under retirement plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive a service allowance based on the greater of the normal service allowance or 25% of AFC. LEOPS members covered under pension plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive full service pension allowances if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS members qualify for accidental disability benefits if the medical board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty, and receive disability allowances equal to the sum of an annuity determined as the actuarial date of the members' accumulated contributions and 2/3 (66.67%) of AFC. Allowances may not exceed the members' AFC.

LEOPS members qualify for ordinary death benefits if the members have accumulated at least one but less than two years of eligibility prior to the date of death receive benefits equal to a member's annual earnable compensation at the time of death plus accumulated contributions. LEOPS members qualify for special death benefits if the members have accumulated at least two years of eligibility prior to the date of death or died in the line of duty receive benefits equal to 50% of the applicable ordinary disability allowance. In cases where the deceased members are not survived by a spouse, the decedents' children, if any will continue to

Note 17. Pension Plans (Continued)

the special death benefit until the youngest child reaches age 18. The special death benefit for officers killed in the line of duty is 2/3 (66.7%) of AFC.

Adjusted Retirement Allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. For LEOPS members who are subject to retirement plan provisions, annual COLAs are determined under various methods applicable to ERS members as described under uniformed employees.

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

At June 30, 2017, the City reported a liability of $11,509,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units as actuarially determined. At June 30, 2016, the City's proportion was approximately 0.0488 percent.

For the year ended June 30, 2017, the City recognized pension expense of $1,486,688. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	$ 444,739	$ -
Difference between actual and expected experience	-	284,691
Net difference between projected and actual earnings on pension plan investments	1,783,380	431,922
Change in proportionate share	314,010	604,992
Contributions subsequent to the measurement date	981,874	-
Total	**$ 3,524,003**	**$ 1,321,605**

Note 17. Pension Plans (Continued)

The deferred outflows of resources of $981,874 relating to contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2018. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, differences in projected and actual investment earnings and change in proportionate share represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to the non-investment activity are being amortized over the remaining service life of 5.87 years. The 2015 and 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for 2016, 2015 and 2014 are being amortized over a closed five-year period. The unamortized amounts will be ratably recognized as pension expense over these services lives and closed five-year period.

The following table shows the amortization of these deferred outflows and inflows:

	Amortization of 2016 Balance		Amortization of 2015 Balance				Amortization of 2014 Balance	
Fiscal Year Ended June 30	Deferred Outflows - Net Difference in Investment Earnings	Deferred Inflows - Actual vs. Expected Experience	Deferred Outflows - Net Difference in Investment Earnings	Deferred Outflows - Change in Assumptions	Deferred Outflows - Change in Proportion	Deferred Inflows - Actual vs. Expected Experience	Deferred Outflows - Change in Assumptions	Deferred Inflows - Net Difference in Investment Earnings
2018	$ 285,406	$ 25,921	$ 214,586	$ 100,168	$ 80,176	$ 40,980	$ 28,541	$ 215,961
2019	285,406	25,921	214,586	100,168	80,176	40,980	28,541	215,961
2020	285,406	25,921	214,586	100,168	80,176	40,980	-	-
2021	283,404	25,921	-	87,153	73,482	34,224	-	-
2022	-	23,843	-	-	-	-	-	-

Net Pension Liability

The components of the City's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2016 were as follows:

Total Pension Liability	$ 33,638,550
Plan Fiduciary Net Position	22,129,423
Net Pension Liability	$ 11,509,127
City's Fiduciary Net Postion as a Percentage of the Total City Pension Liability	65.79%

Note 17. Pension Plans (Continued)

The Pension Plan Fiduciary

Plan Information as well as the Comprehensive Annual Financial Report of the Maryland State Retirement and Pension System for the years ended June 30, 2016 and 2015 are available from:

State Retirement & Pension System of Maryland
120 East Baltimore Street
Baltimore, MD 21202

www.sra.state.md.us
-General Interest
-Related Links
-Downloads
-Comprehensive Annual Financial Reports

Note 18. Other Postemployment Benefits Plan

The City offers a single-employer defined benefit healthcare plan for the employees of the City, administered through a third-party agent, which provides healthcare benefits for active employees and other postemployment benefits (OPEB) for eligible retirees, their spouses and dependents. The plan is administered under two City policies, the Retiree Insurance Policy and the Retirement Medical Insurance Policy (effective July 1, 2008).

Plan Description and Funding Policies

The defined healthcare plan provides medical, hospitalization and prescription drug benefits to eligible active plan members and retirees, their spouses and dependents, and is authorized by the City. The plan provisions, benefits available and required reimbursements are governed by the Retiree Insurance Policy and the Retirement Medical Insurance Policy. Upon reaching eligibility for Medicare, retirees are no longer permitted to participate in the City's plan, except for those eligible under the Retiree Insurance Policy.

Under the Retiree Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for Law Enforcement and General employees, and the City, based on age and years of service as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, as of July 1, 2008 can participate in City-sponsored coverage. The City subsidizes the retirees' individual premium cost up to 80%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 80% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are eligible for a Medicare supplemental plan.

Note 18. Other Postemployment Benefits Plan (Continued)

Under the Retirement Medical Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for Law Enforcement and General employees, and the City, based on age and years of service as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, after July 1, 2008 can participate in City-sponsored coverage. The City subsidizes the retirees' individual premium cost up to 80%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 80% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are no longer permitted to participate in the City's plan.

Membership of the plan consisted of 139 participants, 113 of which are active plan members and 26 are retirees and beneficiaries receiving benefits at June 30, 2017.

The plan is unfunded, with premium payments made by the City on a pay-as-you-go basis. The City has reserved the difference between the annual required contribution and the premiums paid. Although not a separate fiduciary fund, the City has made an effort to recognize this required obligation. As of June 30, 2017, the City has reserved $2,421,272. All eligible retirees are required to reimburse the City for premiums paid for medical and hospitalization and prescription drug benefits elected as paid by the City. These reimbursements are withheld from the retirees' state retirement benefit on behalf of the City, and are forwarded to the City on a monthly basis. For the year ended June 30, 2017, the City paid premium costs of $142,947 for retirees, their spouses and dependents.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the *annual required contribution (ARC) of the employer,* which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarially accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30

Note 18. Other Postemployment Benefits Plan (Continued)

years. The following table shows the components of the City's annual OPEB cost, the estimated actuarial amount contributed to the plan, and changes in the City's net OPEB obligation for the three years ended June 30, 2017:

	2017	2016	2015
Annual Required Contribution	$ 415,000	$ 396,000	$ 483,000
Interest on Net OPEB Obligation	81,000	76,000	65,000
Adjustment to Annual Required Contribution	(142,000)	(128,000)	(107,000)
Annual OPEB Cost	354,000	344,000	441,000
Contributions Made	(208,000)	(186,000)	(178,000)
Increase (Decrease) in Net OPEB Obligation	146,000	158,000	263,000
Net OPEB Obligation - Beginning of Year	2,054,000	1,896,000	1,633,000
Net OPEB Obligation - End of Year	$ 2,200,000	$ 2,054,000	$ 1,896,000
Percentage of annual OPEB cost contributed	59%	54%	40%

Funded Status and Funding Progress

As of the July 1, 2017 valuation, the actuarially accrued liability for benefits was $4,549,000, all of which was unfunded, the covered payroll (annual payroll of active employees covered by the plan) was $8,636,696, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52.67%.

Actuarial Assumptions and Methods

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 the 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, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities, consistent with the long-term perspective of the calculations.

Note 18. Other Postemployment Benefits Plan (Continued)

For the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used, based on assumptions that between 2% and 100% of general employees, based on points and gender, will retire upon attainment of the eligibility requirements for retirement, and that law enforcement employees reaching 25 years of service will retire between 12% and 35%, based on age, upon attainment of the eligibility requirements for retirement as of the valuation date. The valuation assumes that between 50% and 100% of eligible retirees, based on points, will elect coverage in the plan, and 20% of these eligible retirees are assumed to be married and will have a spouse covered by the plan at retirement.

The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the City's assets, and medical and prescription drug base and sensitivity decreasing from 4.5% and 4.5%, respectively, in 2015 to an ultimate level of 4.0% and 3.9%, respectively, in 2077 and thereafter. Additional medical trend assumptions were developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions with the following used as input variables: 2.4% rate of inflation, 1.5% rate of growth in real income/gross domestic product (GDP) per capita, 1.0% extra trend due to technology and other factors, 25% health share of GDP resistance point, and 2075 being the year for limiting cost growth to GDP growth. The UAAL is being amortized as a level dollar amount on a 30-year closed basis. The remaining amortization period at the July 1, 2016 valuation was 23 years.

Note 19. Commitments and Contingencies

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

Note 19. Commitments and Contingencies (Continued)

The City is committed under the following contracts for construction and related projects:

Project	Contract Amount	Amount Outstanding at June 30, 2017
Public Works - Structural Study for Walls	$ 16,500	$ 16,500
Recreation & Parks Installation of Equipment	14,270	14,270
Public Works - Line Striping, Street Lighting & Cleaning	11,741	11,741
Governmental Activities	$ 42,511	$ 42,511
City-Wide Fiber Infrastructure	$ 7,081,606	$ 423,475
Gesell Well Treatment Plant	2,978,437	1,072,216
WWTP Upgrade ENR Removal	1,395,523	1,277,928
Hollow Rock Rd & Cityview Water Main	498,391	471,461
Geographic Information System Layers	94,433	39,010
Business-Type Activities	$ 12,048,390	$ 3,284,090

Note 20. Risk Management

The City 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.

The City is a member of the Local Government Insurance Trust (LGIT), which is owned and directed by local governments (participants) that subscribe to its insurance coverages. LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The City does not exercise any control over LGIT's operations.

Note 20. Risk Management (Continued)

The maximum coverage under the liability pool of LGIT is $1,000,000 per claim. The City also participates in an excess liability pool, which has maximum coverage of $5,000,000. Settled claims resulting from these risks have not exceeded insurance coverage for each of the past three years.

	Maximum Coverage Per Claim	Premiums for Period Including June 30, 2017
Liability pool	$ 1,000,000	$ 48,772
Law enforcement liability pool	1,000,000	43,346
Public official liability pool	1,000,000	20,498
Excess liability pool	5,000,000	6,679
Automobile pool	1,000,000	45,538
		$ 164,833

Note 21. Environmental Concerns

The City operates a sewer facility and has several above-ground storage tanks for its oil and diesel fuel. All above-ground storage tanks are surrounded by containment tanks to lessen the severity of contamination in the event of a leak. If a leak or contamination occurred, the City could become liable for the cost to clean up the spill.

Note 22. Concentrations and Economic Dependencies

The City provides various services to its residents. The City is located in northern Carroll County, Maryland. Credit is granted to its residents for taxes, water, and sewer bills. The City may place a lien on any property associated with unpaid taxes and water and sewer services; therefore, an allowance for uncollectible amounts is not considered necessary.

The City receives shared revenue from the county and state. The amounts of these funds are not guaranteed and may be reduced as a result of the current economic environment.

Note 23. New Governmental Accounting Standards Board Pronouncements

The GASB issued several pronouncements prior to the year ended June 30, 2017 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

Note 23. New Governmental Accounting Standards Board Pronouncements (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the City beginning with its fiscal year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the City beginning with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting requirements for asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the City beginning with the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB State No. 87, Leases, will be effective for the City beginning with the fiscal year ending June 30, 2021. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

Note 24. Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the City through November 30, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information

Schedule "1"

City of Westminster, Maryland
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund
(Legal Level of Control)
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	$ 12,286,116	$ 12,285,612	$ 12,058,463	$ (227,149)
Licenses & Permits	503,530	503,530	606,307	102,777
Intergovernmental	4,948,907	4,948,907	2,398,685	(2,550,222)
Charges for Services	590,000	590,000	775,162	185,162
Fines & Forfeitures	185,000	185,000	141,900	(43,100)
Interest & Investment Earnings	3,000	3,000	42,233	39,233
Rental Income	9,000	9,000	9,240	240
Reappropriation of Fund Balance	1,079,953	1,380,659	-	(1,380,659)
Miscellaneous	289,465	310,990	346,261	35,271
TOTAL REVENUES	19,894,971	20,216,698	16,378,251	(3,838,447)
EXPENDITURES				
GENERAL GOVERNMENT				
Executive & Legislative	$ 1,141,923	$ 1,233,737	$ 1,031,783	$ 201,954
Finance	231,649	185,369	138,335	47,034
Human Resources	121,603	102,893	75,864	27,029
Planning, Zoning & Development	386,553	386,553	375,724	10,829
Housing & Preservation Services	252,940	176,209	98,001	78,208
Facilities	3,610,091	3,814,872	750,141	3,064,731
Technology	736,875	699,349	246,263	453,086
TOTAL GENERAL GOVERNMENT	6,481,634	6,598,982	2,716,111	3,882,871
PUBLIC SAFETY				
Public Safety	6,767,270	7,091,530	6,458,154	633,376
TOTAL PUBLIC SAFETY	6,767,270	7,091,530	6,458,154	633,376
PUBLIC WORKS				
Public Works	5,439,542	5,316,000	4,454,937	861,063
TOTAL PUBLIC WORKS	5,439,542	5,316,000	4,454,937	861,063
RECREATION & PARKS				
Recreation & Parks	1,145,857	1,149,518	1,070,259	79,259
TOTAL RECREATION & PARKS	1,145,857	1,149,518	1,070,259	79,259
COMMUNITY DEVELOPMENT & HOUSING				
Community Support	60,668	60,668	46,586	14,082
TOTAL COMMUNITY DEVELOPMENT & HOUSING	60,668	60,668	46,586	14,082
TOTAL EXPENDITURES	19,894,971	20,216,698	14,746,047	5,470,651
EXCESS OF REVENUES OVER EXPENDITURES	-	-	1,632,204	(9,309,098)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	18,587	18,587
Transfer Out	-	-	(110,000)	110,000
TOTAL OTHER FINANCING USES	-	-	(91,413)	128,587
NET CHANGE IN FUND BALANCE	$ -	$ -	1,540,791	$ (9,180,511)
Fund Balance - Beginning of Year			13,640,050	
FUND BALANCE - END OF YEAR			$ 15,180,841	

City of Westminster, Maryland

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget to Actual - Public Housing Agency Fund
(Legal Level of Control)
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental	$ 1,989,706	$ 1,989,706	$ 2,168,588	$ 178,882
Miscellaneous	10,000	10,000	41,958	31,958
TOTAL REVENUES	1,999,706	1,999,706	2,210,546	210,840
EXPENDITURES				
Salary & Benefits	$ 222,875	$ 222,875	$ 237,193	$ (14,318)
Administration	31,300	31,300	27,148	4,152
Housing Assistance Payments	1,777,288	1,777,288	1,920,785	(143,497)
Facilities	43,243	43,243	44,129	(886)
TOTAL EXPENDITURES	2,074,706	2,074,706	2,229,255	(154,549)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(75,000)	(75,000)	(18,709)	365,389
OTHER FINANCING SOURCES				
Transfer In	75,000	75,000	75,000	-
TOTAL OTHER FINANCING SOURCES	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	$ -	$ -	56,291	$ 365,389
Fund Balance - Beginning of Year			135,995	
FUND BALANCE - END OF YEAR			$ 192,286	

City of Westminster, Maryland

Other Postemployment Benefits (OPEB) Plan

SCHEDULE OF FUNDING IN PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
07/01/2013	$ -	$ 4,922,000	$ 4,922,000	0.00%	$ 8,220,230	59.88%
07/01/2014	$ -	$ 5,105,000	$ 5,105,000	0.00%	$ 8,054,207	63.38%
07/01/2015	$ -	$ 4,465,000	$ 4,465,000	0.00%	$ 8,371,785	53.33%
07/01/2016	$ -	$ 4,549,000	$ 4,549,000	0.00%	$ 8,636,696	52.67%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2014	$ 457,000	$ 153,000	33.5%	$ 1,633,000
2015	$ 441,000	$ 178,000	40.4%	$ 1,896,000
2016	$ 344,000	$ 186,000	54.1%	$ 2,054,000
2017	$ 355,000	$ 208,000	58.6%	$ 2,200,000

City of Westminster, Maryland

Schedule of Required Pension Related Supplemental Information

Schedule of the City's Proportionate Share of the Net Pension Liability (NPL)

	FY 2017	FY 2016	FY 2015
City's proportionate share (%) of collective net pension liability	0.0487798%	0.0468928%	0.0444709%
City's proportionate share ($) of collective net pension liability	11,509,127	9,745,109	7,892,118
City's covered payroll ($)	8,638,696	8,371,185	8,054,207
City's proportionate share of collective net pension liability as a percentage of its covered payroll	133.23%	116.41%	97.99%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

The above schedule is presented to illustrate the requirement for specified information for the past 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Schedule "5"

City of Westminster, Maryland
Schedule of the City's Pension Plan Contributions
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 981,874	$ 950,272	$ 988,374	$ 1,036,331	$ 769,674	$ 934,238	$ 1,000,560	$ 856,573	$ 848,917	Not Available
Contributions in relation to the contractually required contribution	981,874	950,272	988,374	1,036,331	769,674	934,238	1,000,560	856,573	848,917	Not Available
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 8,638,696	$ 8,371,185	$ 8,054,207	$ 8,220,230	$ 7,794,504	$ 7,776,206	$ 7,651,516	$ 7,973,815	$ 8,319,609	Not Available
Contributions as a percentage of covered payroll	11.37%	11.35%	12.27%	12.61%	9.87%	12.01%	13.08%	10.74%	10.20%	0%

Note: The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Statistical Section

This part of the City of Westminster's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, not disclosures and required supplementary information say about the City's overall financial health.

Contents... **Page(s)**

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Table 1

CITY OF WESTMINSTER, MARYLAND

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 42,454,147	$ 42,526,125	$ 38,532,024	$ 35,682,137	$ 35,100,713	$ 34,872,097	$ 32,874,066	$ 31,552,405	$ 29,898,287	$ 30,376,442
Restricted	1,989,122	1,935,889	1,892,810	3,180,829	3,622,231	3,294,850	2,557,926	766,919	629,040	-
Unrestricted	4,632,883	4,521,694	3,273,138	7,814,643	6,640,317	5,926,862	4,621,325	4,516,227	3,380,253	3,324,176
Total Governmental Activities Net Assets	49,076,152	48,983,708	43,697,972	46,677,609	45,363,261	44,093,809	40,053,317	36,835,551	33,907,580	33,700,618
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	49,020,498	45,702,387	42,443,649	39,299,413	38,453,577	38,090,979	38,010,808	38,205,420	39,277,817	40,405,560
Restricted	5,733,749	6,092,201	7,118,961	8,588,210	7,573,530	7,323,872	6,842,854	-	-	-
Unrestricted	13,845,582	13,635,654	11,115,646	11,383,168	10,953,354	9,597,503	7,485,149	10,394,967	6,647,514	7,607,749
Total Business-Type Activities Net Assets	68,599,829	65,430,242	60,678,256	59,270,791	56,980,461	55,012,354	52,338,811	48,600,387	45,925,331	48,013,309
Primary Government										
Invested in Capital Assets, Net of Related Debt	91,474,645	88,228,512	80,975,673	74,981,550	73,554,290	72,963,076	70,884,874	69,757,825	69,176,104	70,782,002
Restricted	7,722,871	8,028,090	9,011,771	11,769,039	11,195,761	10,618,722	9,400,780	766,919	629,040	-
Unrestricted	18,478,465	18,157,348	14,388,784	19,197,811	17,593,671	15,524,365	12,106,474	14,911,194	10,027,767	10,931,925
Total Primary Government Net Assets	**$ 117,675,981**	**$ 114,413,950**	**$ 104,376,228**	**$ 105,948,400**	**$ 102,343,722**	**$ 99,106,163**	**$ 92,392,128**	**$ 85,435,938**	**$ 79,832,911**	**$ 81,713,927**

Table 2

CITY OF WESTMINSTER, MARYLAND

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General Government	$ 1,958,923	$ 2,044,804	$ 2,279,392	$ 2,033,740	$ 1,619,659	$ 1,658,564	$ 1,412,939	$ 1,628,041	$ 2,207,358	$ 1,688,588
Public Safety	7,779,910	6,077,097	5,917,816	5,698,822	5,849,529	5,537,316	5,717,661	5,806,461	5,497,624	6,089,946
Public Works	5,288,557	4,833,127	4,990,363	4,668,285	4,395,239	4,176,521	4,260,313	4,731,240	4,247,543	4,488,712
Recreation & Culture	1,406,611	1,363,735	1,229,001	1,267,334	1,142,296	1,231,756	1,192,491	1,206,961	1,089,680	1,408,613
Community Development & Housing	2,293,036	2,067,003	2,179,252	2,218,483	2,364,831	2,510,928	2,748,473	3,216,499	2,828,441	2,382,528
Interest on Long-Term Debt	166,597	178,666	190,055	196,380	218,755	245,602	268,075	268,649	312,342	294,822
Total Governmental Activities Expenses	18,893,634	16,564,432	16,785,879	16,083,044	15,590,309	15,360,687	15,599,952	16,857,851	16,182,988	16,353,209
Business-Type Activities:										
Sewer Services	5,036,757	4,839,774	4,944,571	4,877,723	4,762,370	4,990,870	4,805,897	4,793,225	4,739,579	4,002,488
Water Services	4,548,024	4,496,897	4,424,143	4,549,011	4,417,165	4,164,706	4,305,774	4,975,767	3,830,049	3,194,498
Fiber Services	378,031	347,687	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	9,962,812	9,684,358	9,368,714	9,426,734	9,179,535	9,155,576	9,111,671	9,768,992	8,569,628	7,196,986
Total Primary Government Expenses	$ 28,856,446	$ 26,248,790	$ 26,154,593	$ 25,509,778	$ 24,769,844	$ 24,516,263	$ 24,711,623	$ 26,626,843	$ 24,752,616	$ 23,550,195
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 294,166	$ 217,309	$ 562,842	$ 437,144	$ 420,820	$ 340,590	$ 301,450	$ 287,715	$ 355,850	$ 393,117
Public Safety	136,825	224,441	212,383	178,832	164,063	242,242	233,785	182,841	51,879	64,158
Public Works	360,041	300,666	217,638	327,696	357,457	335,731	398,448	470,361	314,565	336,192
Recreation & Culture	463,780	401,707	425,545	346,037	459,368	467,659	485,040	454,128	425,494	420,925
Community Development & Housing	-	-	-	(53,648)	19,234	57,063	9,774	-	-	-
Operating Grants and Contributions	3,614,596	3,312,279	2,954,890	2,834,323	2,380,294	2,807,492	2,974,969	3,684,630	4,282,757	4,500,667
Capital Grants and Contributions	440,000	4,551,637	1,835,017	543,150	89,434	943,412	720,513	2,779,754	750,581	275,199
Total Governmental Activities Program Revenues	5,309,408	9,008,039	6,208,315	4,613,534	3,890,670	5,194,189	5,123,979	7,859,429	6,181,126	5,990,258
Business-Type Activities:										
Charges for Services:										
Sewer Services	6,587,898	6,214,017	5,556,135	5,291,975	5,159,685	5,228,490	5,732,485	5,124,759	2,835,273	3,359,434
Water Services	5,045,375	5,264,257	5,274,754	5,527,258	5,460,772	5,527,872	6,208,394	5,296,247	2,552,786	2,830,593
Fiber Services	64,817	24,161	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	12,076	12,286	12,286	9,900	-	-
Capital Grants and Contributions	941,831	419,379	1,615,385	872,369	468,331	983,559	864,719	2,383,176	822,260	705,554
Total Business-Type Activities Program Revenues	12,639,921	11,921,814	12,446,274	11,691,602	11,100,864	11,752,207	12,817,884	12,814,082	6,210,319	6,895,581
Total Primary Government Program Revenues	$ 17,949,329	$ 20,929,853	$ 18,654,589	$ 16,305,136	$ 14,991,534	$ 16,946,396	$ 17,941,863	$ 20,673,511	$ 12,391,445	$ 12,885,839

Table 2

CITY OF WESTMINSTER, MARYLAND

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (Expense)/Revenue										
Governmental Activites	$ (13,584,226)	$ (7,556,393)	$ (10,577,564)	$ (11,469,510)	$ (11,699,639)	$ (10,166,498)	$ (10,475,973)	$ (8,998,422)	$ (10,001,862)	$ (10,362,951)
Business-Type Activites	2,677,109	2,237,456	3,077,560	2,264,868	1,921,329	2,596,631	3,706,213	3,045,090	(2,359,309)	(301,405)
Total Primary Government Net (Expense)/Revenue	$ (10,907,117)	$ (5,318,937)	$ (7,500,004)	$ (9,204,642)	$ (9,778,310)	$ (7,569,867)	$ (6,769,760)	$ (5,953,332)	$ (12,361,171)	$ (10,664,356)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Real Estate Taxes	$ 9,061,859	$ 8,830,708	8,999,043	$ 9,068,948	8,950,262	10,514,072	10,122,431	7,394,792	7,288,909	7,119,358
Personal Property Taxes	792,293	904,381	775,478	686,858	809,810	740,724	747,784	795,572	760,949	222,172
Income Taxes	1,998,888	2,104,369	2,341,971	1,839,712	1,825,099	1,637,528	1,512,397	1,607,727	1,709,733	1,799,717
Admission & Amusement Taxes	204,885	199,345	218,568	251,232	210,009	242,019	239,106	256,508	256,963	288,383
Grants & Contributions not Restricted to Specific Programs	995,644	990,360	1,008,574	1,002,817	894,540	892,529	905,603	850,901	-	-
Franchise Fees	270,616	255,188	-	-	-	-	-	-	-	-
Interest & Investment Earnings	42,233	26,550	15,876	11,478	19,900	34,368	45,548	68,725	46,137	178,368
Miscellaneous	345,252	449,220	187,336	30,563	259,471	145,750	120,233	198,296	161,435	119,907
Transfers	(35,000)	(2,055,923)	-	-	-	-	637	14,262	(15,302)	-
Total Government Activities:	13,676,670	11,704,198	13,546,846	12,891,608	12,969,091	14,206,990	13,693,739	11,186,783	10,208,824	9,727,905
Business-Type Activities										
Grants & Contributions not Restricted to Specific Programs	-	-	-	-	-	-	-	-	-	-
Interest & Investment Earnings	84,466	53,066	31,694	14,547	17,379	16,730	20,101	17,948	111,826	311,153
Miscellaneous	373,012	228,452	14,059	17,565	29,399	60,182	12,747	14,188	144,203	283,407
Transfers	35,000	2,055,923	-	-	-	-	(637)	(14,262)	15,302	-
Total Business-Type Activities	492,478	2,337,441	45,753	32,112	46,778	76,912	32,211	17,874	271,331	594,560
Total Primary Government	$ 14,169,148	$ 14,041,639	$ 13,592,599	$ 12,923,720	$ 13,015,869	$ 14,283,902	$ 13,725,950	$ 11,204,657	$ 10,480,155	$ 10,322,465
Governmental Activities	$ 92,444	$ 4,147,805	$ 2,969,282	$ 1,422,098	$ 1,269,452	$ 4,040,492	$ 3,217,766	$ 2,188,361	$ 206,962	$ (635,046)
Business-Type Activities	3,169,587	4,574,897	3,123,313	2,296,980	1,968,107	2,673,543	3,738,424	3,062,964	(2,087,978)	293,155
Total Primary Government Change in Net Assets	$ 3,262,031	$ 8,722,702	$ 6,092,595	$ 3,719,078	$ 3,237,559	$ 6,714,035	$ 6,956,190	$ 5,251,325	$ (1,881,016)	$ (341,891)

Table 3

CITY OF WESTMINSTER, MARYLAND

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund (1)										
Nonspendable	$ 297,119	$ 347,766	$ 232,706	$ 365,159	$ 311,064	$ 880,810	$ 1,354,585	$ -	$ -	$ -
Restricted	1,745,841	1,897,019	1,806,276	3,378,400	3,280,469	2,739,346	1,757,595	-	-	-
Committed	17,434	24,122	23,392	10,960	209,468	-	-	-	-	-
Assigned	483,374	480,463	487,947	9,102	4,786	-	-	-	-	-
Unassigned	12,637,073	10,890,680	9,336,836	8,172,376	7,138,834	5,810,439	3,811,651	-	-	-
Total General Fund	$ 15,180,841	$ 13,640,050	$ 11,887,157	$ 11,935,997	$ 10,944,621	$ 9,430,595	$ 6,923,831	$ -	$ -	$ -
Public Housing Agency Fund (1)										
Nonspendable	$ 7,778	$ 4,720	$ 7,273	$ 7,263	$ 5,463	$ 4,002	$ 1,999	$ -	$ -	$ -
Restricted	184,508	131,275	159,981	137,496	396,967	555,504	800,511	-	-	-
Total Public Housing Agency Fund	$ 192,286	$ 135,995	$ 167,254	$ 144,759	$ 402,430	$ 559,506	$ 802,510	$ -	$ -	$ -
Total Governmental Funds	**$ 15,373,127**	**$ 13,776,045**	**$ 12,054,411**	**$ 12,080,756**	**$ 11,347,051**	**$ 9,990,101**	**$ 7,726,341**	**$ -**	**$ -**	**$ -**
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,869,781	$ 2,394,416	$ 964,857
Unreserved - Designated	-	-	-	-	-	-	-	-	-	470,900
Unreserved - Undesignated	-	-	-	-	-	-	-	2,979,759	1,582,609	1,778,205
Total General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,849,540	$ 3,977,025	$ 3,213,962
Public Housing Agency Fund (1)										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 647,791	464,031	304,604
Unreserved - Undesignated	-	-	-	-	-	-	-	-	-	-
Total Public Housing Agency Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 647,791	$ 464,031	$ 304,604
Total Governmental Funds	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,497,331**	**$ 4,441,056**	**$ 3,518,566**

(1) In FY2011 GASB 54 was implemented

Table 4

CITY OF WESTMINSTER, MARYLAND

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
Taxes	$ 12,058,463	$ 12,250,655	$ 11,943,094	$ 11,664,491	$ 11,823,982	$ 13,125,890	$ 12,642,294	$ 10,029,452	$ 10,015,967	$ 9,435,440
Licenses & Permits	606,307	525,888	534,138	522,592	495,625	420,219	388,630	389,606	406,679	327,439
Intergovernmental	4,567,273	4,275,615	2,497,041	4,166,642	3,330,891	3,616,472	3,901,765	4,865,238	4,471,659	4,537,276
Charges for Services	775,162	641,696	672,497	579,615	732,550	714,006	791,175	806,175	667,649	811,186
Fines & Forfeitures	141,900	222,351	201,140	188,520	177,913	238,279	248,194	145,772	54,512	70,711
Interest & Investment Earnings	42,233	26,550	15,876	11,478	13,732	16,317	16,494	7,407	-	-
Rental Income	9,240	7,140	5,040	5,040	5,080	5,200	5,200	7,458	-	-
Miscellaneous	388,219	481,045	192,736	52,349	286,303	239,771	278,581	401,971	357,865	339,631
Total Revenues	18,588,797	18,430,940	16,061,562	17,190,727	16,866,076	18,376,154	18,272,333	16,653,079	15,974,331	15,521,683
EXPENDITURES										
Current:										
General Government	1,630,485	1,671,521	2,040,405	1,712,632	1,434,760	1,158,287	1,052,084	1,022,441	1,503,792	1,294,872
Public Safety	6,271,625	5,939,563	5,801,868	5,616,944	5,565,297	4,481,602	4,001,834	4,079,186	3,608,065	4,053,104
Public Works	3,086,761	3,304,020	3,233,687	3,151,535	2,895,110	2,501,924	2,627,455	2,867,680	2,671,505	2,663,760
Recreation & Parks	1,052,026	1,010,652	928,343	858,453	900,955	813,059	762,342	705,660	758,707	878,073
Community Development & Housing	2,275,841	2,050,314	90,562	2,199,736	2,346,084	2,449,092	2,533,393	3,034,163	2,675,576	2,359,987
Debt Service:										
Principal	362,477	358,804	348,519	337,060	312,932	299,147	303,931	398,447	3,873,439	352,271
Interest	168,925	180,835	192,090	194,812	226,290	248,967	268,318	271,305	316,775	297,671
Capital Outlays	2,127,162	1,858,601	3,427,616	2,479,394	1,894,285	2,649,869	2,189,325	946,341	583,298	1,285,374
Miscellaneous	-	-	-	-	-	1,595,185	2,316,762	2,380,380	2,580,556	2,978,119
Total expenditures	16,975,302	16,374,310	16,063,090	16,550,566	15,575,713	16,197,132	16,055,444	15,705,603	18,571,713	16,163,231
Excess (deficiency) of revenues over (under) expenditures	1,613,495	2,056,630	(1,528)	640,161	1,290,363	2,179,022	2,216,889	947,476	(2,597,382)	(641,548)
OTHER FINANCES SOURCES (USES)										
Proceeds from Issuance of Long-Term Debt	18,587	-	-	63,367	60,045	52,462	3,420	35,090	3,535,174	180,331
Proceeds from Sale of Capital Assets	75,000	43,074	27,684	30,177	6,542	32,270	8,070	(64,819)	-	-
Transfer in	-	109,180	-	69,000	-	-	637	14,262	-	-
Transfer out	(110,000)	(487,250)	(75,000)	(69,000)	-	-	-	-	(15,302)	-
Total other financeing sources (uses)	(16,413)	(334,996)	(47,316)	93,544	66,587	84,732	12,127	(15,467)	3,519,872	180,331
Net change in fund balances	$ 1,597,082	$ 1,721,634	$ (48,844)	$ 733,705	$ 1,356,950	$ 2,263,754	$ 2,229,016	$ 932,009	$ 922,490	$ (461,217)
Debt Service as a percentage of Noncapital Expenditures	3.6%	3.7%	4.3%	3.8%	3.9%	4.0%	4.1%	4.5%	23.3%	4.4%

Table 5

CITY OF WESTMINSTER, MARYLAND

Assessed Valuation and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

	Real Property			Personal Property						Grand Total
				Assessed Value						
Fiscal Year	Assessed Value	Estimated Market Value	Direct Tax Rate	Unincorporated	Incorporated	Public Utilities	Total	Estimated Market Value	Direct Tax Rate	Estimated Market Value
2008	1,636,886,364	1,636,886,364	0.44	N/A	N/A	N/A	N/A	N/A	0.44	N/A
2009	1,823,604,773	1,823,604,773	0.44	N/A	N/A	N/A	N/A	N/A	0.44	N/A
2010	1,786,435,227	1,786,435,227	0.44	$ 1,586,010	$ 59,206,860	$ 10,960,470	$ 71,753,340	71,753,340	0.44	1,858,188,567
2011	1,808,379,828	1,808,379,828	0.58	1,343,360	53,628,550	18,436,060	73,407,970	73,407,970	0.58	1,881,787,798
2012	1,847,051,897	1,847,051,897	0.58	1,440,980	51,284,240	18,427,480	71,152,700	71,152,700	0.58	1,918,204,597
2013	1,582,410,351	1,582,410,351	0.57	1,359,880	48,975,930	17,735,870	68,071,680	68,071,680	0.57	1,650,482,031
2014	1,603,654,464	1,603,654,464	0.56	1,065,140	44,477,390	17,750,040	63,292,570	63,292,570	0.56	1,666,947,034
2015	1,611,762,321	1,611,762,321	0.56	1,136,650	44,236,430	17,402,280	62,775,360	62,775,360	0.56	1,674,537,681
2016	1,614,145,000	1,614,145,000	0.56	1,816,470	51,723,690	17,035,740	70,575,900	70,575,900	0.56	1,684,720,900
2017	1,627,341,429	1,627,341,429	0.56	1,506,150	50,555,070	17,446,080	69,507,300	69,507,300	0.56	1,696,848,729

Real property is reassessed every three years. Real property is assessed at market value.
Total personal property assessed value is equal to the estimated market value.
Personal Property Assessment information unavailable FY2008 through FY2009

Table 6

CITY OF WESTMINSTER, MARYLAND

Real Property Tax Rates - Direct and Overlapping Governments
(Per $100 of Assessed Value)
Last Ten Fiscal Years

	Direct Rate	Overlapping Rates		
Fiscal Year	**Assessed Value**	**State of Maryland**	**Carroll County**	**Total Direct & Overlapping**
2008	0.440	0.112	1.048	1.600
2009	0.440	0.112	1.048	1.600
2010	0.440	0.112	1.048	1.600
2011	0.580	0.112	1.048	1.740
2012	0.580	0.112	1.028	1.720
2013	0.570	0.112	1.018	1.700
2014	0.560	0.112	1.018	1.690
2015	0.560	0.112	1.018	1.690
2016	0.560	0.112	1.018	1.690
2017	0.560	0.112	1.018	1.690

Sources: Carroll County Department of the Comptroller
Maryland State Department of Assessments and Taxation

CITY OF WESTMINSTER, MARYLAND

Principal Taxpayers
Current Fiscal Year and Nine Years Ago

2017

Taxpayer	Type of Business	Assessed Valuations	Tax Amount Paid	% of Total Assessed Value
Carroll Lutheran Village	Elder Care/Retirement Community	$ 51,898,467	$ 290,631	3.19%
Knorr Brake Realty LLC	Light Manufacturing	22,820,900	127,797	1.40%
Cranberry Mall Properties LLC	Shopping Center/Commerical Rentals	22,406,633	125,468	1.38%
Cranberry Square LLC	Shopping Center/Commerical Rentals	21,732,233	121,701	1.34%
Home Properties Ridgeview Chase LLC	Shopping Center/Commerical Rentals	19,820,767	111,108	1.22%
BH Brightview Westminster	Elder Care/Retirement Community	19,137,800	107,172	1.18%
140 Village Limited Liability Partnership	Shopping Center/Commerical Rentals	17,147,334	96,025	1.05%
Westminster Crossing East LLC	Shopping Center/Commerical Rentals	13,228,500	74,416	0.81%
Washreit Westminster Shopping LLC	Shopping Center/Commerical Rentals	13,089,533	73,301	0.80%
Beral Limited Partnership	Shopping Center/Commerical Rentals	11,917,967	67,245	0.73%
		$ 213,200,134	$ 1,194,864	13.10%
	Total Assessed Valuations	$ 1,627,341,429		

2008

Taxpayer	Type of Business	Assessed Valuation	Tax Amount Paid	% of Total Assessed Value
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
		N/A	N/A	N/A
	Total Assessed Valuation	N/A		

Property is reassessed every three years
Source: Carroll County Department of the Comptroller
Note: Information unavailable for FY2008

CITY OF WESTMINSTER, MARYLAND

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collection within Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
		Amount	Percent of Levy		Amount	Percent of Levy		
2008	7,202,300	7,147,659	99.24%	54,641	7,202,300	100.00%	-	0.00%
2009	8,023,861	7,918,044	98.68%	105,817	8,023,861	100.00%	-	0.00%
2010	7,860,315	7,773,223	98.89%	87,092	7,860,315	100.00%	-	0.00%
2011	10,488,603	10,399,114	99.15%	89,489	10,488,603	100.00%	-	0.00%
2012	10,712,901	10,627,229	99.20%	85,672	10,712,901	100.00%	-	0.00%
2013	9,019,739	8,944,308	99.16%	75,431	9,019,739	100.00%	-	0.00%
2014	8,980,465	8,871,695	98.79%	108,770	8,980,465	100.00%	-	0.00%
2015	9,025,869	8,912,979	98.75%	112,056	9,025,035	99.99%	834	0.01%
2016	9,039,212	8,979,644	99.34%	57,388	9,037,032	99.98%	2,180	0.02%
2017	9,113,112	9,099,305	99.85%	-	9,099,305	99.85%	13,807	0.15%

Source: Carroll County Department of the Comptroller

CITY OF WESTMINSTER, MARYLAND

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities		Business-Type Activites					
Fiscal Year	General Obligation Bonds	General Obligation Debt	General Obligation Bonds	General Obligation Debt (1)	Total Primary Government	% of Personal Income (3)	% of Market Property Value (2)	Per Capita (3)
2008	6,449,600	309,987	8,768,447	-	15,528,034	N/A	N/A	858
2009	6,212,400	208,922	14,229,896	-	20,651,218	N/A	N/A	1,159
2010	5,968,600	89,365	14,459,022	83,128	20,600,115	3.10%	1.11%	1,103
2011	5,714,500	42,955	13,536,472	61,650	19,355,577	2.83%	1.03%	1,034
2012	5,446,700	64,070	12,736,266	128,138	18,375,174	2.63%	0.96%	980
2013	5,150,400	107,484	11,924,308	214,966	17,397,158	2.42%	1.05%	923
2014	4,844,900	139,289	11,100,389	151,846	16,236,424	2.21%	0.97%	860
2015	4,532,200	103,470	10,264,294	108,932	15,008,896	1.99%	0.90%	792
2016	4,212,000	64,866	10,324,658	62,338	14,663,862	1.87%	0.87%	772
2017	3,884,300	30,088	13,930,541	25,408	17,870,337	2.27%	1.05%	938

Notes: Some demographic information unavailable
Details regarding City's outstanding debt can be found in the notes to the financial statements
(1) Bond premiums/discounts and other unamortized charges are included
(2) See Table 5 Assessed Valuation and Estimated Actual Value of Taxable Property, for Estimated Market Values of Taxable Property
(3) See Table 12, Demographic Statistics, for personal income and population data

Table 10

CITY OF WESTMINSTER, MARYLAND

Ratios of Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds & Debt Outstanding	Percent of Actual Property Value (1)	Percent of Personal Income (2)	Per Capita (2)
2008	15,218,047	N/A	N/A	841
2009	20,442,296	N/A	N/A	1,147
2010	20,427,622	1.10%	3.10%	1,094
2011	19,250,972	1.02%	2.83%	1,028
2012	18,182,966	0.95%	2.63%	970
2013	17,074,708	1.03%	2.42%	906
2014	15,945,289	0.96%	2.21%	845
2015	14,796,494	0.88%	1.99%	781
2016	14,536,658	0.86%	1.87%	766
2017	17,814,841	1.05%	2.27%	935

Notes: N/A not available.

Details regarding the City's outstanding debt can be found in the notes to the finacial statements

(1) See Table 5, Assessd Valuation and Estimated Market Value of Taxable Property, for Estimated Market Values of Taxable Property.

(2) See Table 12, Demographic Statistics, for personal income and population data

Table 11

CITY OF WESTMINSTER, MARYLAND

Computation of Legal Debt Margin
June 30, 2017

Net Assessed Value - Real Property	**$ 1,627,341,429**	
Debt Limit - 6% of Net Assessed Value (1)		**$ 97,640,486**
Assessed Value - Personal Property	**69,507,300**	
Debt Limit - 15% of Net Assessed Value (1)		**10,426,095**
Total Debt Limit (6%/15%)		**108,066,581**
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	**17,814,841**	
Less - Wastewater Bonds	**-**	
Less - Water Bonds	**8,554,701**	
Less - Fiber Bonds	**5,375,840**	
Total Amount of Debt Applicable to Debt Limit		**9,260,140**
Legal Debt Margin		**$ 98,806,441**

Schedule of Legal Debt Margin
2008-2017

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin	Ratio of Debt Subject to Limitation To Legal Borrowing Limitation
2008	N/A	6.0%/15%	N/A	N/A	N/A	N/A
2009	N/A	6.0%/15%	N/A	N/A	N/A	N/A
2010	1,858,188,567	6.0%/15%	117,949,115	5,968,600	111,980,515	5.06%
2011	1,881,787,798	6.0%/15%	119,513,986	5,714,500	113,799,486	4.78%
2012	1,918,201,477	6.0%/15%	121,495,551	5,446,700	116,048,851	4.48%
2013	1,650,482,031	6.0%/15%	104,984,439	5,125,110	99,859,329	4.88%
2014	1,666,947,034	6.0%/15%	105,519,759	4,944,900	100,674,859	4.69%
2015	1,674,537,681	6.0%/15%	106,357,243	4,532,200	99,859,329	4.26%
2016	1,684,720,900	6.0%/15%	107,435,085	4,212,000	100,674,859	3.92%
2017	1,696,848,729	6.0%/15%	108,066,581	9,260,140	98,806,441	8.57%

N/A: Information not available for the years indicated

Table 12

CITY OF WESTMINSTER, MARYLAND

Computation of Direct and Overlapping Debt
June 30, 2016

	Overlapping Debt (1)	Percentage Applicable (1)		Share of Overlapping Debt		Direct Debt (2)		Total Direct and Overlapping Debt
$	322,236,986	8.86%	$	28,550,197	$	3,914,388	$	32,464,585

Note: (1) Ratio of assessed value in the City of Westminster, Maryland to the total assessed value in Carroll County.
(2) See Note 9
(3) The overlapping debt is not a debt of the City of Westminster, Maryland on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the City of Westminster, Maryland are obligated to pay through direct tax levies of these governmental entities.

Source: Carroll County Department of the Comptroller
City of Westminster Department of Finance and Administrative Services

Table 13

CITY OF WESTMINSTER, MARYLAND

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income ($ in 000's) (2)	Per Capita Personal Income (2)	Unemployement Rate (3)
2008	18,089	618,517	34,193	2.90%
2009	17,817	621,332	34,873	3.70%
2010	18,674	664,328	35,575	6.40%
2011	18,721	683,504	36,510	6.80%
2012	18,753	699,356	37,293	6.10%
2013	18,839	719,217	38,177	5.90%
2014	18,879	734,790	38,921	5.50%
2015	18,953	753,495	39,756	4.80%
2016	18,989	784,417	41,309	4.30%
2017	19,054	788,607	41,388	3.60%

Source: (1) FY2010 reflect the 2010 Census date. All other fiscal years are estimates.
(2) Estimates for the City based on data for Carroll County, MD, from the U.S. Bureau of Economic Analysis.
(3) Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information. Data for Carroll County, Maryland

Table 14

CITY OF WESTMINSTER, MARYLAND

Major Employers
Current Fiscal Year and Nine Years Ago

2017

Firm	Product/Service	Total Employment	Percentage of Total City Employment
Carroll County Public Schools	Education (K-12)	3,171	35.83%
Carroll County Commissioners	Local Government	957	10.81%
McDaniel College	Higher Education (Private)	800	9.04%
Carroll Lutheran Village	Retirement	425	4.80%
Arc of Carroll County	Non-Profit / Health Care	325	3.67%
Knorr Brake	Railroad Brake Manufacture	263	2.97%
Tevis Energy	Oil & Related Products	259	2.93%
Lowes	Home Improvement Products	180	2.03%
Target	Consumer Goods	175	1.98%
City of Westminster	Local Government	161	1.82%
	Total	6,716	75.88%
	Annual Average Employment in Westminster	8,851	

2008

Firm	Product/Service	Total Employment (1)	Percentage of Total City Employment
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
	Total	N/A	N/A
	Annual Average Employment in Westminster	N/A	

Notes:
(1) Information unavailable

Source:
Carroll County Department of Economic Development
Maryland Department of Commerce

CITY OF WESTMINSTER, MARYLAND

Full-Time City Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Mayor	1	1	1	1	1	1	1	1	1	1
Common Council	5	5	5	5	5	5	5	5	5	5
City Administration	3	3	3	3	3	3	3	3	3	3
Finance	6	6	6	7	6	6	7	7	8	9
Human Resources	3	3	3	3	3	3	3	4	3	3
Technology Services	4	4	4	4	3	2	2	2	1	0
Community Planning & Development	4	5	5	5	5	5	5	6	6	9
Public Safety										
Police - Sworn	42	40	44	44	43	45	45	45	47	45
Police - Civilian	14	14	14	14	14	14	14	14	14	14
Public Works										
Administration	4	3	3	3	3	3	1	1	1	1
Engineering	3	3	3	3	3	3	3	3	3	3
Streets & Sanitation	19	19	19	19	19	20	20	23	23	23
Recreation and Parks	9	10	10	10	9	9	8	9	15	15
Housing & Preservation Services	5	5	5	5	4	4	4	5	4	5
Fiber	1	0	0	0	0	0	0	0	0	0
Utilities										
Utilities Maintenance	13	12	13	13	13	14	14	14	14	11
Water	13	11	10	10	10	10	10	10	9	9
Wastewater	11	12	13	13	13	13	13	13	13	13
Total Full-Time Employees	**160**	**156**	**161**	**162**	**157**	**160**	**158**	**165**	**170**	**169**
Part Time Employees	2	2	2	2	4	-	5	6	-	-
Total Employees	162	158	163	164	161	160	163	171	170	169

Source: Department of Finance and Administrative Services

Table 16

CITY OF WESTMINSTER, MARYLAND

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Information										
Population	19,054	18,989	18,953	18,879	18,839	18,753	18,721	18,674	17,817	18,089
General Government										
Building Permits Issued for Residential	213	180	133	N/A	76	138	215	204	182	205
Estimated Value ($ in thousands) Residential	$11,637	$5,000	N/A	N/A	4,591	10,552	15,406	18,126	12,829	52,079
Building Permits Issued for Other Purposes	56	45	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Estimated Value ($ in thousands) Other	$5,205	$3,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Police Protection										
Police Officers	42	40	44	44	43	45	45	45	47	45
Citations/Warnings	7,069	3,127	3,398	3,993	2,280	3,069	3,389	4,076	4,077	3,282
Calls for Service	11,776	10,979	10,897	11,725	12,130	11,957	12,073	11,785	14,877	15,987
Water										
Daily Average Usage (mgd)	3	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plants Daily Capacity (mgd)	3	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Daily Average Usage (mgd)	5	5	5	5	5	5	5	5	5	5
Plants Daily Capacity (mgd)	5	5	5	5	5	5	5	5	5	5
Solid Waste										
Tons In	4,034	4,044	3,980	3,961	3,602	4,082	2,100	N/A	4,267	N/A
Tons Recycled	1,175	1,029	1,058	962	768	999	490	N/A	1,207	N/A

N/A: Information is not avaiable for the years indicated

Table 17

CITY OF WESTMINSTER, MARYLAND

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Information										
Area in Square Miles	6.5501	6.5501	6.5501	6.3892	6.3892	N/A	6.3892	N/A	6.3892	6.3892
Miles of Roads - Paved	71.768	71.768	71.768	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miles of Roads - Unpaved	1.00	1.00	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
Water Mains (miles)	161	161	161	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treatement Facility	4	4	4	4	4	4	4	4	4	4
Water Tanks	4	4	4	4	4	4	4	4	4	4
Booster Stations	2	2	2	2	2	2	2	2	2	2
Wells	12	12	12	12	12	12	12	12	12	12
Number of Customer Accounts	9,602	9,602	9,790	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sewer Mains (miles)	160	160	160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treatement Facility	1	1	1	1	1	1	1	1	1	1
Pumping Stations	11	11	11	11	11	11	11	11	11	11
Number of Customer Accounts	9,258	9,258	9,244	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation and Culture										
Parks	14	14	14	14	14	14	14	14	14	14
Acreage	117	117	117	117	117	117	117	117	117	117

N/A: Information is not available for the years indicated
Source: City of Westminster

Other Supplementary Information

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and Common Council

City of Westminster, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Westminster, Maryland's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Westminster, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Westminster, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Westminster, Maryland's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westminster, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Baltimore, Maryland
November 30, 2017

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Mayor and Common Council
City of Westminster, Maryland

Report on Compliance for Each Major Federal Program

We have audited the City of Westminster, Maryland's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Westminster, Maryland's major federal programs for the year ended June 30, 2017. City of Westminster, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Westminster, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westminster, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Westminster, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Westminster, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Westminster, Maryland, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Westminster, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Westminster, Maryland's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Baltimore, Maryland
November 30, 2017

CITY OF WESTMINSTER, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Funding			
Section 8 Housing Choice Vouchers	14.871	N/A	2,168,588
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			**2,168,588**
U.S. DEPARTMENT OF JUSTICE			
Pass-Through Governor's Office of Crime Control and Prevention			
Violence Against Women Formula Grants	16.588	VAWA-2013-1154 VAWA-2014-1154	24,257
Pass-Through Carroll County Health Department			
Bulletproof Vest Partnership/Body Armor Safety Initiative	16.607	N/A	1,120
TOTAL U.S. DEPARTMENT OF JUSTICE			**25,377**
U.S. DEPARTMENT OF TRANSPORTATION			
National Highway Traffic Safety Administration (NHTSA)			
NHTSA 402 - State and Community Highway Safety	20.600	LE 16-029	6,589
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			**6,589**
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-Through Maryland Emergency Management Agency (MEMA)			
Disaster Grants - Public Assistance	97.036	FEMA-4261-DR-MD	14,072
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			**14,072**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 2,214,626**

City of Westminster, Maryland
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of the City of Westminster, Maryland (the City) under programs of the Federal Government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accruals basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Grant revenues are recorded for financial reporting purpose when expenditures are made in accordance with requirements of respective grants.

Note 3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirectly cost rate allowed under the Uniform Guidance.

City of Westminster, Maryland
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficency(ies identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any auditor findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)		Yes	X	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number	Fiscal Year 6/30/2017 Expenditures
Section 8 Housing Choice Vouchers	14.871	$ 2,168,588

Dollar threshold used to distinguish between Type A and B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II. Financial Statement Findings

No matters were reported.

Section III. Findings and Questioned Costs for Federal Awards

No matters were reported.

City of Westminster Maryland
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

The prior year financial statement audit disclosed the following finding:

Finding 2016-001

Statement of Condition
The City did not record capital infrastructure assets in the year in which they were donated to the City.

Status
Cleared

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance Fiscal Year-End: 6/30/2017

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	$ -	$ -
112 Cash - Restricted - Modernization and Development	$ -	$ -
113 Cash - Other Restricted	$ 188,531	$ 188,531
114 Cash - Tenant Security Deposits	$ -	$ -
115 Cash - Restricted for Payment of Current Liabilities	$ 8,921	$ 8,921
100 Total Cash	$ 197,452	$ 197,452
121 Accounts Receivable - PHA Projects	$ -	$ -
122 Accounts Receivable - HUD Other Projects	$ -	$ -
124 Accounts Receivable - Other Government	$ -	$ -
125 Accounts Receivable -Miscellaneous	$ -	$ -
126 Accounts Receivable - Tenants	$ -	$ -
126.1 Allowance for Doubtful Accounts - Tenants	$ -	$ -
126.2 Allowance for Doubtful Accounts - Other	$ -	$ -
127 Notes, Loans, & Mortgages Receivable - Current	$ -	$ -
128 Fraud Recovery	$ 200,687	$ 200,687
128.1 Allowance for Doubtful Accounts - Fraud	$ (170,845)	$ (170,845)
129 Accrued Interest Receivables	$ -	$ -
120 Total Receivables, Net of Allowance for Doubtful Accounts	$ 29,842	$ 29,842
131 Investments - Unrestricted	$ -	$ -
132 Investments - Restricted	$ -	$ -
135 Investments - Restricted for Payment of Current Liability	$ -	$ -
142 Prepaid Expenses and Other Assets	$ 7,778	$ 7,778
143 Inventories	$ -	$ -
143.1 Allowance for Obsolete Inventories	$ -	$ -
144 Inter Program Due From	$ -	$ -
145 Assets Held for Sale	$ -	$ -
150 Total Current Assets	$ 235,072	$ 235,072
161 Land	$ -	$ -
162 Buildings	$ -	$ -
163 Furniture, Equipment & Machinery - Dwellings	$ -	$ -
164 Furniture, Equipment & Machinery - Administration	$ -	$ -

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance | Fiscal Year-End: 6/30/2017

	14.871 Housing Choice Vouchers	Total
165 Leasehold Improvements	$ -	$ -
166 Accumulated Depreciation	$ -	$ -
167 Construction in Progress	$ -	$ -
168 Infrastructure	$ -	$ -
160 Total Capital Assets, Net of Accumulated Depreciation	$ -	$ -
171 Notes, Loans and Mortgages Receivable - Non-Current	$ -	$ -
172 Notes, Loans and Mortgages Receivable - Non-Current - Past	$ -	$ -
173 Grant Receivable - Non Current	$ -	$ -
174 Other Assets	$ -	$ -
176 Investments in Joint Ventures	$ -	$ -
180 Total Non-Current Assets	$ -	$ -
190 Total Assets	$ 235,072	$ 235,072
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	$ 235,072	$ 235,072
311 Bank Overdraft	$ -	$ -
312 Accounts Payable <= 90 Days	$ 1,739	$ 1,739
313 Accounts > 90 Days Past Due	$ -	$ -
321 Accrued Wage/Payroll Taxes Payable	$ -	$ -
322 Accrued Compensated Absences - Current Portion	$ -	$ -
324 Accrued Contingency Liability	$ -	$ -
325 Accrued Interest Payable	$ -	$ -
331 Accounts Payable - HUD PHA Programs	$ -	$ -
332 Accounts Payable - Other Government	$ -	$ -
341 Tenant Security Deposits	$ -	$ -
342 Unearned Revenue	$ -	$ -
343 Current Portion of Long-term Debt - Capital Projects/Mortgage	$ -	$ -
344 Current Portion of Long-term Debt - Operating Borrowings	$ -	$ -
345 Other Current Liabilities	$ 8,921	$ 8,921
346 Accrued Liabilities - Other	$ 2,284	$ 2,284
347 Inter Program - Due To	$ -	$ -
348 Loan Liability - Current	$ -	$ -
310 Total Current Liabilities	$ 12,944	$ 12,944

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance | Fiscal Year-End: 6/30/2017

	14.871 Housing Choice Vouchers	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	$ -	$ -
352 Long-term Debt, Net of Current - Operating Borrowings	$ -	$ -
353 Non-current Liabilities - Other	$ -	$ -
354 Accrued Compensated Absences - Non Current	$ -	$ -
355 Loan Liability - Non Current	$ -	$ -
356 FASB 5 Liability	$ -	$ -
357 Accrued Pension and OPEB Liabilities	$ -	$ -
350 Total Non-Current Liabilities	$ -	$ -
300 Total Liabilities	$ 12,944	$ 12,944
400 Deferred Inflow of Resources	$ 29,842	$ 29,842
508.3 Nonspendable Fund Balance	$ 7,778	$ 7,778
509.3 Restricted Fund Balance	$ 184,508	$ 184,508
510.3 Committed Fund Balance		
511.3 Assigned Fund Balance		
512.3 Unassigned Fund Balance		
513 Total Equity /Net Position	$ 192,286	$ 192,286
600 Total Liabilities, Deferred Inflows of Resources		
and Equity - Net Assets / Position	$ 235,072	$ 235,072

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance	Fiscal Year-End:	6/30/2017
	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue	$ -	$ -
70400 Tenant Revenue - Other	$ -	$ -
70500 Total Tenant Revenue	$ -	$ -
70600 HUD PHA Operating Grants	$ 2,168,588	$ 2,168,588
70610 Capital Grants	$ -	$ -
70710 Management Fee	$ -	$ -
70720 Asset Management Fee	$ -	$ -
70730 Book Keeping Fee	$ -	$ -
70740 Front Line Service Free	$ -	$ -
70750 Other Fees	$ -	$ -
70700 Total Fee Revenue	$ 2,168,588	$ 2,168,588
70800 Other Government Grants	$ -	$ -
71100 Investment Income - Unrestricted	$ -	$ -
71200 Mortgage Interest Income	$ -	$ -
71300 Proceeds from Disposition of Assets Held for Sale	$ -	$ -
71310 Cost of Sale of Assets	$ -	$ -
71400 Fraud Recovery	$ 10,598	$ 10,598
71500 Other Revenue	$ 31,360	$ 31,360
71600 Gain or Loss on Sale of Capital Assets	$ -	$ -
72000 Investment Income - Restricted	$ -	$ -
70000 Total Revenue	$ 2,210,546	$ 2,210,546
91100 Administrative Salaries	$ 163,847	$ 163,847
91200 Auditing Fees	$ 6,449	$ 6,449
91300 Management Fee	$ -	$ -
91310 Bookkeeping Fee	$ -	$ -
91400 Advertising and Marketing	$ -	$ -
91500 Employee Benefit contributions- Administrative	$ 69,486	$ 69,486
91600 Office Expenses	$ 19,699	$ 19,699
91700 Legal Expense	$ -	$ -
91800 Travel	$ -	$ -
91810 Allocated Overhead	$ 42,029	$ 42,029

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance — Fiscal Year-End: 6/30/2017

	14.871 Housing Choice Vouchers	Total
91900 Other	$ 1,732	$ 1,732
91000 Total Operating Administrative	$ 303,242	$ 303,242
92000 Asset Management Fee	$ -	$ -
92100 Tenant Services - Salaries	$ -	$ -
92200 Relocation Costs	$ -	$ -
92300 Employee Benefit Contributions - Tenant Services	$ -	$ -
92400 Tenant Services - Other	$ -	$ -
92500 Total Tenant Services	$ -	$ -
93100 Water	$ -	$ -
93200 Electricity	$ 1,539	$ 1,539
93300 Gas	$ 72	$ 72
93400 Fuel	$ -	$ -
93500 Labor	$ -	$ -
93600 Sewer	$ -	$ -
93700 Employees Benefit Contributions - Utilities	$ -	$ -
93800 Other Utilities Expense	$ -	$ -
93000 Total Utilities	$ 1,611	$ 1,611
94100 Ordinary Maintenance and Operations - Labor	$ -	$ -
94200 Ordinary Maintenance and Operations - Materials and Other	$ -	$ -
94300 Ordinary Maintenance and Operations Contracts	$ 1,489	$ 1,489
94500 Employee Benefit Contributions - Ordinary Maintenance	$ -	$ -
94000 Total Maintenance	$ 1,489	$ 1,489
95100 Protective Services - Labor	$ -	$ -
95200 Protective Services - Other Contracts Costs	$ -	$ -
95300 Protective Services - Other	$ -	$ -
95500 Employee Benefit Contributions - Protective Services	$ -	$ -
95000 Total Protective Services	$ -	$ -
96110 Property Insurance	$ -	$ -
96120 Liability Insurance	$ -	$ -

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance | Fiscal Year-End: 6/30/2017

	14.871 Housing Choice Vouchers	Total
96130 Workers' Compensation	$ 3,860	$ 3,860
96140 All Other Insurance	$ -	$ -
96100 Total Insurance Premiums	$ 3,860	$ 3,860
96200 Other General Expense	$ -	$ -
96210 Compensated Absences	$ -	$ -
96300 Payments in Lieu of Taxes	$ -	$ -
96400 Bad Debt - Tenant Rents	$ -	$ -
96500 Bad debt - Mortgages	$ -	$ -
96600 Bad debt - Other	$ -	$ -
96800 Severance Expense	$ -	$ -
96000 Total Other General Expenses	$ -	$ -
96710 Interest of Mortgage (or Bonds) Payable	$ -	$ -
96720 Interest on Notes Payable (Short and Long Term)	$ -	$ -
96730 Amortization on Bond Issue Costs	$ -	$ -
96700 Total Interest Expense and Amortization Cost	$ -	$ -
96900 Total Operating Expenses	$ 310,202	$ 310,202
97000 Excess of Operating Revenue over Operating Expenses	$ 1,900,344	$ 1,900,344
97100 Extraordinary Maintenance	$ -	$ -
97200 Casualty Outlays - Government Funds	$ -	$ -
97300 Housing Assistance Payments	$ 1,919,053	$ 1,919,053
97350 HAP Portability-In	$ -	$ -
97400 Depreciation Expense	$ -	$ -
97500 Fraud Losses	$ -	$ -
97600 Capital Outlay - Governmental Funds	$ -	$ -
97700 Debt Principal Payment - Governmental Funds	$ -	$ -
97800 Dwelling Units Rent Expenses	$ -	$ -
90000 Total Expenses	$ 2,229,255	$ 2,229,255
10010 Operating Transfer In	$ -	$ -

Submission Type: Audited/Uniform Guidance	Fiscal Year-End:	6/30/2017
	14.871 Housing Choice Vouchers	Total
10020 Operating Transfer Out	$ -	$ -
10030 Operating Transfers from/to Primary Government	$ 75,000	$ 75,000
10040 Operating Transfers from/to Component Unit	$ -	$ -
10050 Proceeds from Notes, Loans and Bonds	$ -	$ -
10060 Proceeds from Property Sales	$ -	$ -
10070 Extraordinary Items, Net Gain/Loss	$ -	$ -
10080 Special Items (Net Gain/Loss)	$ -	$ -
10091 Inter Project Excess Cash Transfer In	$ -	$ -
10092 Inter Project Excess Cash Transfer Out	$ -	$ -
10093 Transfers between Program and Project - In	$ -	$ -
10094 Transfers between Project and Program - Out	$ -	$ -
10100 Total Other financing Sources (Uses)	$ 75,000	$ 75,000
10000 Excess (Deficiency) of Total Revenue Other (Under) Total	$ 56,291	$ 56,291
11020 Required Annual Debt Principal Payments	$ -	$ -
11030 Beginning Equity	$ 135,995	$ 135,995
11040 Prior Year Adjustments, Equity Transfers and Correction		
11050 Changes in Compensated Absence Balance	$ -	$ -
11060 Changes in Contingent Liability Balance	$ -	$ -
11070 Changes in Unrecognized Pension Transition Liability	$ -	$ -
11080 Changes in Special Term/Severance Benefits Liability	$ -	$ -
11090 Changes in Allowance for Doubtful Accounts - Other	$ -	$ -
11100 Changes in Allowance for Doubtful Accounts - Other	$ -	$ -
11170 Administrative Fee Equity	$ 144,292	$ 144,292
11180 Housing Assistance Payments Equity	$ 47,994	$ 47,994
1190 Unit Months Available	3,516	3,516
11210 Number of Unit Months Leased	2,972	2,972
11270 Excess Cash		
11610 Land Purchases		
11620 Building Purchases		
11630 Furniture & Equipment - Dwelling Purchases		
11640 Furniture & Equipment - Administrative Purchases		
11650 Leasehold Improvements Purchased		
11660 Infrastructure Purchases		
13510 CFFP Debt Service Payments		
13901 Replacement Housing Factor Funds		

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

City of Westminster Housing Office (MD027)
Westminster, MD
HAP and Admin Equity Calculations
June 30, 2017

HAP Excess/Deficit Calculation

GL #	GL Description	Amount
110.492102	Annual Contributions Earned	$ 1,966,112
	Total HUD Grants	1,966,112
110.492103	Repayments - HAP	5,355
110.494305	FSS Forfeitures	31,360
110.494201	Interest - Operating	-
110.911105	Interest - HAP	-
	Subsidy from Admin	-
	Total HAP Revenue	2,002,827
110.65.100.5791	HAP- Homeownerships	-
110.65.100.5792	HAP - Family Unification	22,651
110.65.100.5793	HAP - Tenant Protection	-
110.65.100.5795	HAP - All Other	1,861,207
110.65.100.5796	HAP - FSS Escrow	4,302
110.65.100.5797	HAP - Port-Out	30,893
	Total HAP Expense	1,919,053
	Net HAP	83,774
HAP Equity:		
Beginning of year		(35,780)
End of year		$ 47,994

Admin Equity Calculation

GL #	GL Description	Amount
110.492104	HUD Admin Fee Distribution	$ 202,476
	Total HUD Grants	202,476
110.494302	Port-in: Subsidy Receipts	-
110.494303	Port-in Admin Fee Receipts	-
110.494301	Repayment - Admin	5,243
110.513140	Contribution/Subsidy	75,000
	Total Admin Revenue	282,719
	Total PHA Expenses	2,229,255
	Less: HAP-related Expenses	(1,919,053)
	Less: Subsidy to HAP	-
	Total Admin Expenses	310,202
	Net Admin	(27,483)
Admin Equity:		
Beginning of year		171,775
End of year		$ 144,292
Total Ending Equity		$ 192,286