

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 3, 2018**

**NEW ISSUE -- BOOK ENTRY ONLY**

*DLA Piper LLP (US), Bond Counsel, is of the opinion that, under existing statutes, regulations and decisions: (i) the Bonds (as defined in "INTRODUCTION" herein) will be valid and legally binding general obligations of County Commissioners of Allegany County (the "County") to the payment of which the full faith and credit of the County will be pledged; (ii) the principal of and interest on the Bonds will be exempt from State of Maryland and local taxes; but no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; (iii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes and will not be includable in the alternative minimum taxable income of individuals and certain other taxpayers. However, as described herein under "TAX MATTERS", interest earned on the Bonds, for federal income tax purposes, may be included in the calculation of a corporation's alternative minimum taxable income and will be includable in the base upon which is calculated the branch profits tax imposed on foreign corporations.*

**\$10,905,000\***

**ALLEGANY COUNTY, MARYLAND**

**County Commissioners of Allegany County, Maryland  
Public Improvement Bonds of 2018**

**Dated: Date of Delivery**

**Due: July 15, as shown below**

Bond Ratings	Moody's Investors Service: Aa3 Standard & Poor's: AA-
Redemption	Bonds maturing on or after July 15, 2029 are redeemable prior to their maturities in whole or in part at the option of the County at any time on or after July 15, 2028 at par plus accrued interest to the date fixed for redemption.
Security Purpose	General obligations of County Commissioners of Allegany County The proceeds are being used for the cost of improvements at the Allegany College of Maryland and certain County governmental facilities.
Interest Payment Dates	July 15 and January 15, beginning July 15, 2019
Closing/Settlement	On or about December 21, 2018
Denominations	\$5,000 and integral multiples thereof
Book-Entry Only Form	The Depository Trust Company, New York, NY
Registrar/Paying Agent	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Bond Counsel	DLA Piper LLP (US), Baltimore, MD
Financial Advisor	Davenport & Company LLC, Towson, MD
Issuer Contact	Allegany County Director of Finance; (301) 777-5916

*The Bonds will **NOT** be qualified tax-exempt obligations under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.*

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS AND CUSIPS**

<u>Maturing July 15</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP</u>	<u>Maturing July 15</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP</u>
2019 .....	\$315,000				2029 .....	\$565,000			
2020 .....	360,000				2030 .....	585,000			
2021 .....	380,000				2031 .....	605,000			
2022 .....	400,000				2032 .....	625,000			
2023 .....	420,000				2033 .....	645,000			
2024 .....	440,000				2034 .....	665,000			
2025 .....	460,000				2035 .....	690,000			
2026 .....	485,000				2036 .....	715,000			
2027 .....	510,000				2037 .....	740,000			
2028 .....	535,000				2038 .....	765,000			

\* Preliminary, subject to change.

\*\* The interest rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on December 14, 2018. The interest rates and prices or yields shown above were furnished by the successful bidder for the Bonds. All other information concerning the terms of reoffering of the Bonds should be obtained from the winning bidder and not from the County. See "SALE AT COMPETITIVE BIDDING" herein.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of DLA Piper LLP (US), Baltimore, Maryland, Bond Counsel. The Bonds will be available for delivery to the Depository Trust Company in New York, New York on or about December 21, 2018.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. These Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**ALLEGANY COUNTY, MARYLAND**

**Certain Elected Officials**

***COUNTY COMMISSIONERS AS OF DATE OF POS***

Jacob C. Shade — President  
Creade V. Brodie, Jr. — Commissioner  
William R. Valentine — Commissioner

**Certain Appointed Officials**

***ADMINISTRATION***

Brandon S. Butler - County Administrator/Clerk to the Board of County Commissioners  
Jason M. Bennett, CPA - Director of Finance  
Paul F. Kahl, PE - Director of Public Works  
Jeffrey S. Barclay - Director of Economic Development

***COUNTY ATTORNEY***

William R. Rudd, Esquire  
Cumberland, Maryland

***FINANCIAL ADVISOR***

Davenport & Company LLC  
Towson, Maryland

***BOND COUNSEL***

DLA Piper LLP (US)  
Baltimore, Maryland

***AUDITOR***

Turnbull Hoover & Kahl, P.A.  
Certified Public Accountants  
Cumberland, Maryland

***BOND REGISTRAR AND PAYING AGENT***

Manufacturers and Traders Trust Company  
Baltimore, Maryland/Buffalo, New York

No dealer, broker, sales representative or other person has been authorized by County Commissioners of Allegany County (the “County”) or the successful bidder for the Bonds to give any information or to make any representations with respect to the County or its general obligation bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (“ABA”) by S&P Global Market Intelligence. “CUSIP” is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the County nor the successful bidder takes any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services’ information.

The information set forth herein has been obtained from the County and other sources that are deemed to be reliable. The information from sources other than the County is not guaranteed as to accuracy or completeness nor should it be construed as representations of the County or the successful bidder for the Bonds.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements”. In this respect, the words “estimate,” “anticipate,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the County’s financial results could cause actual results to differ materially from those stated in the forward-looking statements. These statements are limited to estimates of pension and other post-employment benefit requirements; assessed and market value of real estate that is determined by the State of Maryland; and current and future budgetary estimates prepared by the County.

#### **CAUTIONARY STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION**

In addition, any financial statements or other financial information bearing an “UNAUDITED” legend are provided for general information only and should not be relied upon for any purpose whatsoever. Such statements have not been reviewed or audited by an independent audit firm, have not been subjected to any audit procedures, may not conform to Generally Accepted Accounting Principles; additionally, such information is included without supporting statements or notes, and thus is inherently incomplete.

## **SUMMARY OF OFFERING**

### **Issuer**

County Commissioners of Allegany County, Maryland.

### **Bonds**

\$10,905,000\* Public Improvement Bonds of 2018.

### **Interest Payment Dates**

Semiannually on July 15 and January 15 until maturity, commencing July 15, 2019.

### **Redemption**

Bonds maturing on or after July 15, 2029 are subject to redemption prior to their maturities at the option of the County on or after July 15, 2028, either as a whole or in part at any time, in any order of maturities, at the option of the County, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

### **Tax Matters**

In the opinion of Bond Counsel, under existing statutes, regulations and decisions: (i) the Bonds will be valid and legally binding general obligations of the County to the payment of which the full faith and credit of the County will be pledged; (ii) the principal of and interest on the Bonds will be exempt from State of Maryland and local taxes, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (iii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes and will not be includable in the alternative minimum taxable income of individuals and certain other taxpayers that are subject to the alternative minimum tax.

The Bonds will **NOT** be qualified tax-exempt obligations under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **Payment Record**

The County has never defaulted on the payment of the principal of or interest on any of its obligations for borrowed money.

**THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY  
THE DETAILED INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.**

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\*Preliminary, subject to change.

## LOCATION

Allegany County is located on the Potomac River in western Maryland. Cumberland, the county seat, is situated approximately 100 miles southeast of Pittsburgh and 130 miles northwest of Baltimore and Washington, D.C. Allegany County is bordered by Pennsylvania to the north and West Virginia to the south.

(Map)

Allegany County



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**ALLEGANY COUNTY**  
**Allegany County, Maryland**  
**(County Commissioners of Allegany County)**  
**\$10,905,000\***  
**Public Improvement Bonds of 2018**

**INTRODUCTION**

**General**

The purpose of this Official Statement, including the cover page (excluding prices or yields) and appendices, is to provide information for prospective purchasers and others who may become holders of any of \$10,905,000\* County Commissioners of Allegany County Public Improvement Bonds of 2018 (the "Bonds") issued by County Commissioners of Allegany County (the "County").

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized by the County.

**The County**

Allegany County, located on the Potomac River in western Maryland, was established in 1789. It is bordered by Pennsylvania to the north and West Virginia to the south, and comprises an area of 428 square miles. Cumberland, the County seat, covering eight square miles, is at an elevation of 641 feet. Cumberland is situated approximately 100 miles southeast of Pittsburgh and 130 miles northwest of Baltimore and Washington, D.C. There are seven incorporated municipalities in the County: Barton, Cumberland, Frostburg, Lonaconing, Luke, Midland and Westernport.

The County is predominately rural in character. The 2000 census showed a population of 74,930; according to the 2010 Census, the population was 75,087. (See "SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS - Population.") The County seat and principal city is Cumberland, with a 2010 population of 20,859.

The County is governed by an elected three-member Board of County Commissioners of Allegany County (the "Board" or the "County Commissioners") under Maryland's Code Home Rule form of government. The Board exercises the governmental powers, including the power to authorize the issuance of debt to finance capital projects that are granted to Code Home Rule counties by Article XI-F of the Maryland Constitution and Titles 9 and 19 of the Local Government Article of the Annotated Code of Maryland. (See "COUNTY GOVERNMENT AND ADMINISTRATION.") The Board is also empowered to authorize the issuance of short-term debt such as bond anticipation notes.

The executive offices of the County are located at the County Office Building, 701 Kelly Road, Cumberland, Maryland 21502. The County Commissioners' office phone number is (301) 777-5911. The County's internet website address is [www.gov.allconet.org](http://www.gov.allconet.org).

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\*Preliminary, subject to change.

## **APPLICATION OF PROCEEDS**

Proceeds of sale of the Bonds shall be used for the public purposes of financing or refinancing, in whole or in part, the costs associated with improvements to facilities at the Allegany College of Maryland and other County facilities, County bridges together with equipment and facilities for the County roads department, emergency medical equipment and vehicles, and a renovation of the LaVale Library, together with any appurtenant furnishings, fixtures and equipment, the acquisition and development of land and property rights and site improvements and architectural, design, engineering, planning, fiscal and legal expenses related thereto, whether or not specifically stated, and which may represent the County's share or contribution to the financing or refinancing of such projects, together with the costs of issuing the Bonds.

## **THE BONDS**

### **General**

The Bonds will initially be maintained under a book-entry only system; beneficial owners shall have no right to receive physical delivery of certificates representing their interest in the Bonds. The Bonds will be dated the date of delivery. The Bonds will be issued in the aggregate principal amount and will mature, subject to their prior redemption, on July 15 in annual serial installments in the principal amounts and in the years set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable at the interest rates set forth on the cover page of this Official Statement semiannually on July 15 and January 15 of each year, commencing July 15, 2019, until maturity. Manufacturers and Traders Trust Company will act as bond registrar and paying agent for the Bonds (the "Registrar" and "Paying Agent").

The Bonds will be valid and legally binding general obligations of the County for the payment of which its full faith and credit and unlimited taxing power will be irrevocably pledged. (See "THE BONDS – Sources of Payment" herein).

### **Authorization**

The Bonds are issued pursuant to the authority of Sections 19-501 to 19-510, inclusive, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, 2017 Supplement) (the "Enabling Act") and by virtue of due proceedings had and taken by the Board of County Commissioners of Allegany County, particularly a public local law enacted by the County Commissioners on October 4, 2018 (Bill No. 5-18) (the "Public Local Law"), and a resolution (Resolution No. 18-35) adopted November 29, 2018 (the "Resolution").

### **Redemption**

The Bonds maturing on or after July 15, 2029 are redeemable prior to their maturities in whole or in part in any order of maturities at the option of the County at any time on or after July 15, 2028, at a redemption price equal to the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds of any maturity shall be called for redemption, the particular Bonds to be redeemed shall be selected by lot by the Registrar in such manner as, in its discretion, it shall determine, except that so long as The Depository Trust Company ("DTC") or its nominee is the sole registered owner of the Bonds, the particular Bond or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.

When less than all of a Bond in a denomination in excess of \$5,000 shall be so redeemed, then, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge, for the unredeemed balance of the principal amount of such Bond, at the option of such owner; Bonds in any of the authorized denominations, the aggregate face amount of such Bonds not to exceed the unredeemed balance of the registered Bond so surrendered, and to bear the same interest rate and to mature on the same date as such unredeemed balance.

If, in accordance with the foregoing option, the County elects to redeem all of the outstanding Bonds, or less than all, it will give notice of its intention to redeem by letter mailed first class, postage prepaid, to the registered owners of such Bonds at least thirty (30) days prior to the redemption date, at the addresses of such owners appearing on the registration books maintained by the Registrar and Paying Agent (the "Bond Register") and the County shall publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a financial journal or daily

newspaper of general circulation in the Borough of Manhattan, New York, New York or, at the election of the County, through the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board; provided, however, that the failure to mail or publish such notice or any defect in such notice or in the mailing or publishing thereof shall not affect the validity of the redemption proceedings relating to the Bonds.

The notice of redemption shall state whether the Bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds to be redeemed, shall state the redemption date and redemption price or prices, shall state that the interest on the Bonds so called shall cease to accrue on the date fixed for redemption, and shall require that the Bonds so called be presented for redemption and payment at the corporate trust office of the Paying Agent. From and after the date fixed for redemption, if notice has been duly and properly given as herein provided and if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds so called for redemption shall become due and payable at the redemption price or prices provided for redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of the Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price plus accrued interest to the date fixed for redemption.

Upon presentation and surrender for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Paying Agent at the redemption price. If they are not so paid upon presentation, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

### **Form and Denominations**

The Bonds will be issued as fully-registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Except as provided in a resolution of the County adopted prior to the issuance and delivery of the Bonds, the Bonds will initially be maintained under a book-entry system. Beneficial Owners shall have no right to receive physical possession of the Bonds, and payment of the principal of, redemption premium, if any, and interest on the Bonds will be made as described below under “BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company.” Manufacturers & Traders Trust Company, Baltimore, Maryland/Buffalo, New York, will act as Registrar and Paying Agent for the Bonds.

The principal of each Bond or so much thereof as shall not have been paid upon prior redemption shall be paid upon presentation and surrender of such Bond on the date such principal is due and payable, or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day, at the corporate trust office of the Paying Agent.

The interest payable on each Bond, which shall be punctually paid or duly provided for on any interest payment date, will be paid semiannually on the fifteenth day of July and January in each year, beginning on July 15, 2019, to the registered owner in whose name such Bond is registered on the Bond Register as of the close of business on the regular record date, which shall be the first day (1<sup>st</sup>) of the month immediately preceding each regular interest payment date (the “Regular Record Date”). Payment of the interest on each Bond shall be by electronic funds transfer or by check or draft mailed to such registered owner’s address as it appears on the Bond Register. Notwithstanding the foregoing, so long as the Bonds are registered in book-entry form, the principal of, redemption premium, if any, and interest on the Bonds shall be payable in accordance with DTC’s payment procedures or the procedures of any successor depository for the Bonds. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date fixed by the Paying Agent such defaulted interest payment (the “Special Record Date”), notice whereof being given to the registered owner not less than ten (10) days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. Each Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated upon an interest payment date, in which event it shall bear interest from such interest payment date, or unless authenticated prior to the first interest payment date, in which event it shall bear interest from the date of the Bonds; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

“Business Day” means a day other than a Saturday, Sunday or day on which banking institutions under the laws of the state governing the Bond Register and Paying Agent are authorized or obligated by law or required by executive order to remain closed.

All payments of the principal of, redemption price of, and interest on, the Bonds shall be in any coin or currency which, at the time of payment, is legal tender for the payment of public and private debts, subject to the provision for payment of interest by check or draft, as set forth above.

Bonds will be transferable only upon the Bond Register, kept at the corporate trust office of the Bond Registrar, by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of the Bonds together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney, and thereupon, within a reasonable time, the County shall issue in the name of the transferee a new registered Bond or Bonds, of any of the authorized denominations, in aggregate principal amount equal to the principal amount of each Bond surrendered or the unredeemed portion thereof, and maturing on the same date and bearing interest at the same rate. The new Bond or Bonds shall be delivered to the transferee only after payment of any tax or governmental charge required to be paid with respect to, and any shipping expenses or insurance relating to, such transfer and only after due authentication thereof by an authorized officer of the Registrar. The County shall not be required to issue, transfer or exchange any Bond during the period beginning fifteen (15) days before any selection of Bonds to be redeemed and ending on the day of publication and mailing of the notice of redemption or to transfer or exchange any Bond called or being called for redemption in whole or in part. The County may deem and treat the person in whose name each Bond is registered as the absolute owner for the purpose of receiving payment of or on account of the principal or redemption price and interest due on such Bond, and for all other purposes.

### **Sources of Payment**

The Resolution provides that the full faith and credit and unlimited taxing power of the County are irrevocably pledged to the prompt payment of the principal of and interest on the Bonds as and when they become due and payable. The Resolution further provides, and the County in the Resolution has covenanted, that there shall be levied, for each and every fiscal year during which the Bonds may be outstanding, upon all real and tangible personal property within its boundaries subject to assessment for unlimited County taxation, *ad valorem* taxes in rate and amount sufficient to provide for the prompt payment, when due, of the principal of and interest on the Bonds in each such fiscal year; and, if the proceeds from the collection of taxes so levied in any such fiscal year are inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up such deficiency.

### **BOOK-ENTRY ONLY SYSTEM**

#### **The Depository Trust Company**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond certificate will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity and will be deposited with DTC or with the Registrar and Paying Agent, as custodian for DTC under the “FAST” delivery program.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC retains custody over more than 1.3 million active securities issues, valued at \$54.2 trillion as of July 31, 2017, of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 131 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, prepayments, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants and not of DTC, the Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). See "BOOK-ENTRY ONLY SYSTEM – Termination of Book-Entry Only System" below.

## **Book-Entry Only System — Miscellaneous**

The information in the section “BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company” has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County, the Registrar nor the Paying Agent will have any responsibility or obligations to DTC, Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

## **Termination of Book-Entry Only System**

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Registrar and the Bonds will be exchanged for Bonds registered in the names of the Participants or the Beneficial Owners identified to the Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below. The County may designate another entity as Registrar and Paying Agent upon twenty (20) days prior written notice to the registered owners of the Bonds.

The Bonds in full certificated form will be fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the corporate trust office of the Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar and duly executed by the registered owner or a duly authorized attorney. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

The Bonds may be transferred or exchanged at the corporate trust office of the Registrar. Upon any such transfer or exchange, the County shall issue in the name of the transferee a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount or the unredeemed portion thereof of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, said new Bond or Bonds shall be delivered to the transferee only after payment of any tax or governmental charge, required to be paid with respect to, and any shipping expenses or insurance relating to, such transfer, and only after due authentication thereof by an authorized officer of the Registrar. The County shall not be required to issue, transfer or exchange any Bond during the period beginning fifteen (15) days before any selection of Bonds to be redeemed and ending on the day of publication and mailing of the notice of redemption or publication on EMMA, as applicable, or to transfer or exchange any Bond called or being called for redemption in whole or in part; provided, however, that this limitation shall not apply to that portion of any Bond in excess of \$5,000 which is not being called for redemption.

## **BONDHOLDERS' REMEDIES**

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies that would be available to a bondholder if the County defaults in the payment of principal of or premium, if any, or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the bondholders thereof upon the occurrence of such a default. The County may be sued in an appropriate court in the event of any default in payment of principal, premium or interest on the Bonds. While any judgments resulting from such suits would be enforceable against the County, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, Bond Counsel is of the view that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the registered owners of the County's general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below. Available remedies may be impracticable and difficult to enforce. Furthermore, a registered owner's right to compel the levy and collection of taxes and to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and by equitable principles, which may limit the specific enforcement of certain remedies.

While remedies would be available to registered owners of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing

other constraints upon enforcement. Chapter 9 of Bankruptcy Code permits a governmental unit such as the County, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor....” Bankruptcy Code, Section 109(c)(2). Current Maryland statutes do not expressly authorize the County or governmental units generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against local governments such as the County.

Bankruptcy proceedings by the County could have adverse effects on Bondholders, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent.” The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The County has never defaulted in the payment of either principal or interest on any debt obligation.

## **RATINGS**

Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by either or both of the rating agencies if, in the judgment of either or both, circumstances should warrant such actions. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of either or both of such ratings could have an adverse effect on the market price of the Bonds.

## **LEGAL MATTERS**

### **Approval of Legal Proceedings**

DLA Piper LLP (US), Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of an opinion substantially in the form set forth in Appendix B of this Official Statement.

## **TAX MATTERS**

### **State of Maryland Taxation**

Bond Counsel is of the opinion that, under existing law, the principal of and interest on the Bonds will be exempt from State of Maryland and local taxes. No opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Purchasers of the Bonds should consult their own tax advisors with respect to the tax status of the Bonds in jurisdictions other than Maryland.

### **Federal Income Taxation**

Bond Counsel is of the opinion that, assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions.

In rendering its opinion with respect to the Bonds, Bond Counsel will rely, without independent investigation, on certifications provided by the County with respect to certain material facts within its knowledge relevant to the tax-exempt status of interest on the Bonds.

Under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances, (ii) other requirements applicable to the investment of the proceeds of the Bonds, and (iii) other requirements applicable to the use of proceeds of the Bonds and the use of the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds.

Interest on the Bonds is not includable in the alternative minimum taxable income of individuals and certain other taxpayers that are subject to the alternative minimum tax.

Interest income on the Bonds will be includable in the base upon which is calculated the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

The Bonds will **NOT** be qualified tax-exempt obligations under Section 265(b)(3) of the Code.

### **Certain Federal Income Tax Consequences**

There are other federal tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, Social Security or railroad retirement benefits are includable in gross income for federal income tax purposes; and (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

### **Tax Accounting Treatment of Discount Bonds**

Certain maturities of the Bonds may be issued at a price which is less than the amount payable on such Bonds at maturity (the “Discount Bonds”). The excess of the stated redemption price at maturity of such Discount Bonds over the first price at which a substantial amount of the Discount Bonds of each maturity was sold for money (excluding sales to bond houses, brokers or similar persons acting as underwriters, placement agents or wholesalers) (the “issue price”) constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such Discount Bond (including sale, early redemption or repayment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder’s original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.



Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the adjusted issue price of such Discount Bond at the beginning of such period, over (ii) the amount actually payable as qualified stated interest on such Discount Bond during such period. The “adjusted issue price” of a Discount Bond at the beginning of any compounding period is equal to its issue price increased by the accrued original issue discount for each prior compounding period and reduced by any payments made on the Discount Bond (other than qualified stated interest) on or before the first day of the compounding period. The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the County, if the interest to be paid is payable at least once per year, is payable over the entire term of the Discount Bond and is payable at a single fixed rate or, subject to certain conditions, based on one or more qualified interest rate indices. If a Discount Bond is sold or otherwise disposed of between compounding periods, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable on the occurrence of certain contingencies. The prices or yields furnished by the successful bidder for the Bonds as shown on the cover of this Official Statement may not reflect the initial issue prices for the purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences from original issue discount on such Discount Bonds under the branch profits tax. The amount of original issue-discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. In addition, original issue discount will be treated as tax-exempt interest for purposes of the provisions described above having adverse effects on property and casualty insurance companies, S corporations having subchapter C earnings and profits, and persons receiving social security or railroad retirement benefits. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

### **Purchase, Sale and Retirement of Bonds**

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder’s initial tax basis in a Bond will be its cost. Upon the sale, redemption or retirement of a Bond, for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of the Bond (including sale, early redemption or repayment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued on or before such sale or retirement as described above under “TAX MATTERS — Tax Accounting Treatment of Discount Bonds” and subtracting payments made on the Discount Bond (other than qualified stated interest) on or before such sale or retirement. Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, however, net capital gains are currently taxed at a maximum rate of 20%, while short-term capital gains and other ordinary income are currently taxed at a maximum rate of 37% (reverting to 39.6% in taxable years beginning after December 31, 2025). Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Because certain suspended limitations on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers will go back into effect in taxable years beginning after December 31, 2025, the effective rate of tax may be higher than 39.6% in such years in certain circumstances. A 3.8% Medicare tax on certain net

investment income earned by individuals, estates, and trusts. For these purposes, net investment income generally includes a holder's gain (including market discount, if any) realized on the disposition (by sale, redemption or otherwise) of a Bond. In the case of an individual, the tax will be imposed on the lesser of (i) the holder's net investment income from all investments, or (ii) the amount by which the holder's modified adjusted gross income exceeds \$250,000 (if the holder is married and filing jointly or a surviving spouse), \$125,000 (if married filing separately) or \$200,000 (if the holder is unmarried or in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess of adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

### **Market Discount**

If a holder acquires a Bond after its original issuance at a discount below its principal amount (or, in the case of a Discount Bond, at a price that produces a yield to maturity higher than the yield to maturity at which such bond was first issued), the holder will be deemed to have acquired the Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Bond with market discount subsequently realizes a gain upon the disposition of the Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Bond's stated redemption price at maturity over the holder's cost of acquiring the Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. In the case of a Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Bond's revised issue price over the holder's cost of acquiring the Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Bond during the period between its original issue date and the date of acquisition by the holder.

### **Amortizable Bond Premium**

A Bond will be considered to have been purchased at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Bonds. The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during his period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

### **Proposed Legislation and Other Tax Matters**

From time to time, there are legislative proposals pending in the United States Congress that, if enacted into law, could cause interest on bonds such as the Bonds to be subject, directly or indirectly, to federal income taxation. The introduction or enactment of any such legislative proposals could affect the market prices for, or marketability of, the Bonds.

The IRS has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the County as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption, or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9, Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bondholder who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes. Amounts withheld as backup withholding will be allowed as a refund or credit against a holder's federal income tax liability, provided that the required information is timely furnished to the IRS.

\* \* \*

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Bonds in light of such holder's particular circumstances and tax situation. Each holder of Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Bonds, including the application of State, local, foreign and other tax laws, and with respect to the effects, if any, of proposed or subsequently enacted amendments to such tax laws.

See Appendix B for the proposed Form of Bond Counsel Opinion with respect to the Bonds.

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## COUNTY GOVERNMENT AND ADMINISTRATION

### General

Both the executive and legislative functions of the County are vested in the elected, three-member Board of County Commissioners. Commissioners are elected on county-wide basis and serve four-year terms. The Board elects one Commissioner to serve as its President. The Board is required to meet monthly.

The County in 1974 adopted the Code Home Rule form of government provided in Article XI-F of the Maryland Constitution and Title 9 of the Local Government Article of the Annotated Code of Maryland. Under this form of government, the Board has the authority to enact, amend, and repeal public local laws relating to the incorporation, organization, and government of the County, including, laws authorizing the issuance and sale of bonds to finance capital projects for the County. Each member of the Board has one vote and, except for emergency bills, a simple majority of the Board is sufficient to enact any bill into law.

In 1996, the Commissioners adopted legislation making the County Administrator the Chief Administrative Officer of Allegany County responsible to the Board and charged with the administration of all County affairs. The Administrator will carry out the policies of the Board, direct and supervise the administration of all departments and agencies and perform all duties enumerated in the Allegany County Code Chapter 2, Article 1.

County financial matters are administered through the Department of Finance of the County by the Director of Finance. The Director of Finance is hired by the Board on the basis of his training and experience in financial administration. The Director of Finance is charged with the administration of the financial affairs of the County, which generally include: the receiving of County taxes, fees and other revenues and funds of every kind due to the County; the custody and safekeeping of all funds or securities belonging to or by law deposited with, distributed to or handled by the County; the disbursement of County funds; the keeping and supervision of all accounts; and such other functions as may be prescribed by the Board.

The formulation of the County's Budget is a joint responsibility between the Director of Finance, who also serves as Budget Officer, and the County Administrator. In addition to formulating the Budget, the Budget Officer is responsible for the submission to the Board of periodic reports on their efficiency and economy, and such other duties and functions as may be assigned by the Board.

An election for the Commissioners was held on November 6, 2018. Commissioner Valentine did not stand for reelection. At that election, Commissioner Shade and Commissioner Brodie were re-elected for a term commencing on December 13, 2018. Additionally, Mr. David Caporale was elected as Commissioner for a term commencing on December 13, 2018. At the meeting on December 13, 2018 it will be determined which of the Commissioners shall serve as President of the Board of County Commissioners.

A chart of the County government organization may be found on page 14.

### CERTAIN COUNTY ELECTED OFFICIALS AND APPOINTED OFFICIALS

**Jacob C. Shade, Commissioner**, age 25, was elected to the Board of County Commissioners of Allegany County, Maryland, in 2014 for a four-year term. This is the first time Commissioner Shade has served in public office. He is the President of the Board of County Commissioners. Mr. Shade earned a Master of Professional Studies in Technology Entrepreneurship and a Bachelor of Arts in Government and Politics from the University of Maryland. He is also a graduate of The Academy for Excellence in Local Governance, a professional development program associated with the University of Maryland School of Public Policy. Mr. Shade works in the insurance industry in Cumberland, Maryland, and has a life and health license as well as Series 6, 63, and AHIP Medicare certifications. During this term in office, the Allegany County Commissioners serve on the Allegany County Board of Health and are members of the Cumberland Allegany County Industrial Foundation, Inc. (CACIF). Mr. Shade is on the Boards of Directors of the Tri-County Council for Western Maryland, Inc. and Allegany County Social Services. He also serves on the Allegany County Mental Health Advisory Board and the Allegany County Task Force on Child Abuse and Neglect.

**Creade V. Brodie, Jr., Commissioner**, age 50, was first elected to the Board of County Commissioners of Allegany County, Maryland, in 2010 for a four-year term. He was re-elected in 2014 for a second four-year term. Mr. Brodie graduated from Beall High School, Frostburg, Maryland. He is also a graduate of The Academy for Excellence in Local Governance, a professional development program associated with the University of Maryland School of Public Policy. Mr. Brodie is a 19-year employee of the LaVale (Maryland) Sanitary Commission and is its Maintenance Supervisor. During this term in office, the Allegany County Commissioners serve on the Allegany County Board of Health and are members of the Cumberland Allegany County Industrial Foundation, Inc. (CACIF). Mr. Brodie serves on the Potomac Highlands Airport Authority, the Allegany County Human Resources Development Commission Board of Directors (HRDC), and the U. S. Department of Justice, Federal Bureau of Prisons, Federal Correctional Institution Community Relations Board.

**William R. Valentine, Commissioner**, age 68, was elected to the Board of County Commissioners of Allegany County, Maryland, in 2010 and re-elected in 2014. Mr. Valentine graduated from Allegany Community College, Cumberland, Maryland. He owned and operated a full-service plumbing, heating, ventilation and air conditioning company for nearly 40 years in Allegany County. He is a veteran. Mr. Valentine is a graduate of The Academy for Excellence in Local Governance associated with the University of Maryland School of Public Policy. During this term in office, the Allegany County Commissioners serve on the Allegany County Board of Health and are members of the Cumberland Allegany County Industrial Foundation, Inc. (CACIF). Mr. Valentine is a member of the Maryland Association of Counties (MACo) Board of Directors and represents MACo on the Commission on Innovation and Excellence in Education. He is a past president and serves on the Executive Board of the Tri-County Council for Western Maryland. He is a member of the Maryland Rural Counties Coalition Executive Board and The Greater Cumberland Committee. Mr. Valentine's term as Commissioner ends on December 13, 2018.

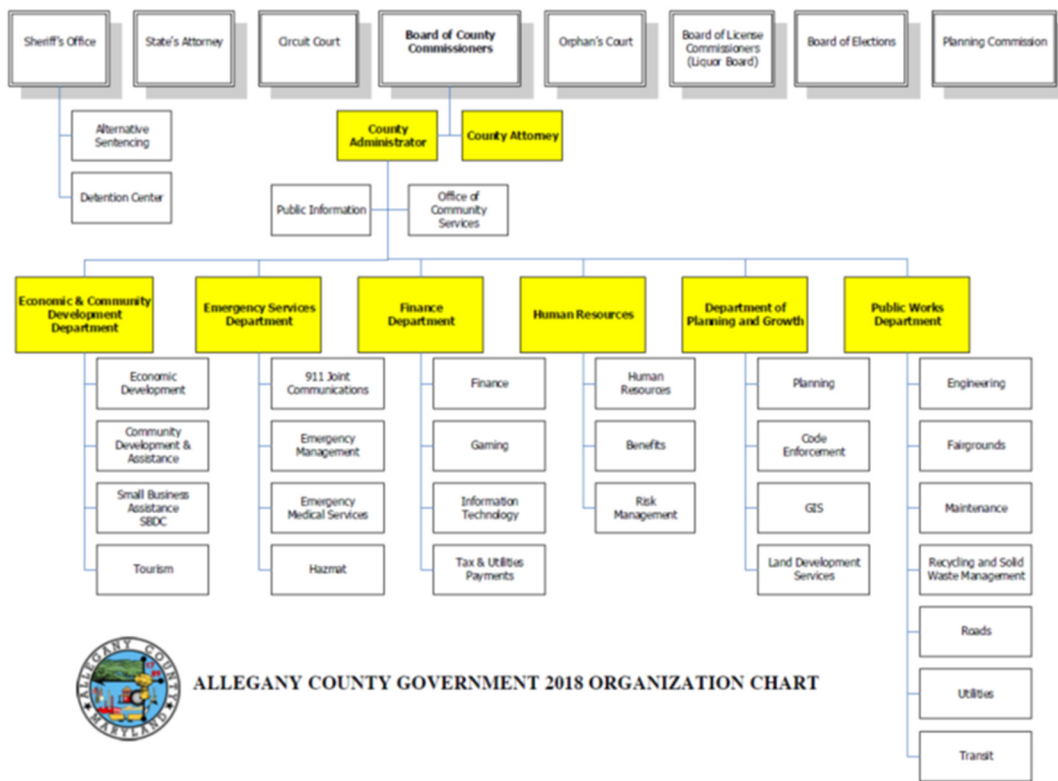
**David Caporale, Commissioner Elect**, age 47, a native of Cumberland, was elected to the Board of County Commissioners of Allegany County in November 2018 for a four-year term. Mr. Caporale's term as Commissioner begins on December 13, 2018. County Commissioner Caporale was first elected to public office in 2012 as a member of Cumberland's City Council and served until he became an Allegany County Commissioner. Commissioner Caporale earned his Bachelor of Arts in Liberal Studies from Frostburg State University. He is a graduate of Bishop Walsh High School. Caporale operates his family's business, Caporale's Bakery. This Cumberland entity was founded in 1906. During this term of office Commissioner Caporale and his fellow County Commissioners serve on the Allegany County Board of Health and are members of the Cumberland Allegany County Industrial Foundation, Inc. (CACIF). Commissioner Caporale also serves on additional boards and committees in Allegany County. Commissioner Caporale is a member of the South Cumberland Business and Civic Association, The International Order of Alhambra Wamba Caravan #89, the Goodfellowship Club and Our Lady of the Mountains Catholic Church.

**Brandon S. Butler, Esq.**, age 35, became the County Administrator on March 1, 2018. Mr. Butler earned a Juris Doctor from the University of Baltimore School of Law and is a member of the Maryland State Bar. He double majored at Frostburg State University, Frostburg, Maryland, earning a Bachelor of Science in Political Science and Law and Society. Mr. Butler is a Leadership Maryland graduate and is enrolled in The Academy for Excellence in Local Governance associated with the University of Maryland School of Public Policy. Prior to becoming County Administrator, Mr. Butler worked for the Maryland Department of Labor, Licensing and Regulation (DLLR) in Baltimore where he held the title of Deputy Assistant Secretary for the Division of Workforce Development and Adult Learning. While there, he led efforts to craft Maryland's State Workforce Plan, which was the first time in the State's history that the federally-funded workforce programs from three separate state agencies into one strategic plan. He also oversaw the nationally-recognized EARN Maryland program. Mr. Butler also previously served as legislative aide and chief of staff for the District 1 Delegation to the Maryland General Assembly, a role he held for seven years. Mr. Butler was most recently named to the Cumberland Economic Development Corporation Board of Directors.

**Jason M. Bennett, C.P.A.**, age 40, earned a Bachelor of Science in Accounting from Frostburg State University, Frostburg, Maryland, and is a licensed Certified Public Accountant in the State of Maryland. Mr. Bennett was appointed Director of Finance in May 2011, having served as Chief Accountant since December 2005. Prior to his employment by Allegany County in November 2003, Mr. Bennett was employed in public accounting firms in Washington, DC, and Cumberland, Maryland. He is the chair of the Maryland Association of Counties (MACo) Other Post-Employment Benefits (OPEB) Trust and a past president of the Western Maryland Chapter of the Maryland Association of Certified Public Accountants.

**Paul F. Kahl, P.E.**, age 60, Director of Public Works, earned a Bachelor of Science in Civil Engineering from the University of Maryland, College Park, and is a licensed Professional Engineer in the State of Maryland. Mr. Kahl was appointed Director of Public Works in July 2010, having served as Deputy Director of Public Works since December 2005. Prior to his employment by Allegany County in August 1989, Mr. Kahl held both public and private sector engineering positions. He is a past president of the County Engineers Association of Maryland.

**Jeffrey S. Barclay**, age 46, Director of Economic and Community Development, earned a Bachelor of Science in Environmental Analysis and Planning from Frostburg State University, Frostburg, Maryland. Mr. Barclay was appointed Director of Economic and Community Development in March 2017, having served in different capacities in this department since September 2007. With an educational and professional background in engineering project planning and permitting, Mr. Barclay has been facilitating land development and economic growth for Allegany County government since 2001. As the County's lead economic development officer, he works closely with the Maryland Department of Commerce and reports directly to the County Administrator. Under his leadership, private firms have made over \$35 million in economic development investments since 2015. These companies include medical product production, wholesale Internet sales distribution, home decor manufacturing, hospitality complexes and national retail chain stores. Mr. Barclay was named WCBC (Cumberland Broadcasting Company) Person of the Year 2015 for his leadership role in economic development activities.



## Remuneration of Certain Officials

The following chart sets forth the annual remuneration paid certain County officials effective July 1, 2018:

<u>Official Title</u>	<u>Salary</u>
President, Board of County Commissioners	\$33,765
Commissioner, Board of County Commissioners	32,639
County Administrator	115,000
Director of Public Works	124,082
Director of Finance	123,558
Director of Economic Development	95,717

## Retirement and Pension Programs

Prior to January 1, 1980, all County employees were required to be members of the Employees' Retirement System of the State of Maryland (the "Retirement System"). During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the Pension System for Employees of the State of Maryland (the "Pension System"). All County employees who were members of the Retirement System may remain in that system or may elect to join the Pension System. All employees hired after December 31, 1979 must join the Pension System. The Maryland General Assembly, in the 1999 session, allowed participating agencies to elect into the enhanced which was enacted for state employees during the 1998 session. The enhanced pension system requires a 7% employee contribution on the base salary.

The Retirement System provides annual pensions for members who retire after the age of 60, or after 30 years' service, equal to 1/55th of the average compensation for the three highest paid years before retirement, multiplied by total years of service. A member having 25 years of service may retire prior to age 60 at a reduced benefit. Benefits are adjusted each year to reflect increases in the cost of living as evidenced by changes in the Consumer Price Index. At its 1984 session, the General Assembly enacted legislation modifying the benefits of those who did not elect to join the Pension System by January 1, 1985. After that date employees remaining in the Retirement System are subject, at their option, to either a limitation of 5% (compounded) on the annual cost-of-living adjustment or an increase in the rate of contribution from 5% to 7% of compensation.

Members of the Pension System are eligible for full retirement benefits upon attaining age 62 with specified years of eligibility service, or upon accumulating 30 years of eligibility service regardless of age. The annual pension allowance is equal to 1.5% of a member's average final compensation ("AFC") multiplied by the number of years of accumulated service credit. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service. Cost-of-living adjustment is maximum of 3% compounded annually.

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of his total gross salary, depending upon the plan option chosen; under the Pension System an employee contributes 7%. The benefits payable under each system which are not funded by employee contributions are funded entirely by the County. Effective July 1, 2018 (unaudited) the County's total combined contribution rate (expressed as a percentage of payroll) for the Retirement System and Pension System was 10.31%.

Allegany County has also established a defined contribution plan for the Management Contractual Employee Plan (four members) which is administered by the ICMA Retirement Corporation.

The County's contribution to both plans include the current service cost, which includes a normal cost and the cost of amortizing an unfunded accrued liability amount over forty years.

<u>Contribution For Fiscal Year</u>	<u>Pension System Current Year Service Cost</u>	<u>Retirement System Current Year Service Cost</u>	<u>Defined Contribution Service Cost</u>	<u>Total County Contributions</u>
2018 (unaudited)	\$1,660,020	\$5,380	\$17,270	\$1,682,670
2017 .....	1,332,927	5,275	18,261	1,356,463
2016 .....	1,326,386	7,912	25,748	1,360,046
2015 .....	1,464,517	7,618	37,807	1,509,942
2014 .....	1,410,779	7,936	37,766	1,456,481
2013 .....	1,303,741	9,319	33,700	1,346,760

In addition to providing pension benefits, the County provides health and life insurance, in accordance with County resolutions, to all retired employees with ten years of continuous service. Expenditures for post-retirement health and life insurance premiums (OPEB) are recognized on a pay-as-you-go basis. During fiscal year 2017, expenditures of \$1,175,388 were recorded for post-retirement benefits for 214 retirees in the governmental and proprietary funds. For fiscal years 2016 and 2015, the expenditures were \$1,113,328 and \$1,043,735, respectively. For additional information on OPEB, please refer to page D-3 of Appendix A.

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Annual Required Contribution (ARC)	\$12,783,835	\$900,832	\$900,832	\$1,575,207	\$1,960,982
Interest on Net OPEB Obligation	(74,702)	(61,566)	(50,913)	(46,863)	(46,858)
Adjustment to ARC	58,570	50,115	41,443	40,337	40,223
Annual OPEB cost (expense)	1,257,703	889,381	891,362	1,568,681	1,954,347
Contribution Towards OPEB Cost	(981,229)	(1,077,033)	(1,043,554)	(1,626,531)	(1,954,419)
Increase(Decrease) in Net OPEB Obligation (asset)	276,474	(187,652)	(152,193)	(57,851)	(72)
Net OPEB Obligation (Asset)-Beginning of the year	(1,067,168)	(879,516)	(727,324)	(669,473)	(669,401)
Net OPEB Obligation (Asset)-End of the year	(\$790,694)	(\$1,067,168)	(\$879,516)	(\$727,324)	(\$669,473)

Source: FY13-FY17 CAFR - Notes to the Financial Statements.

On January 1, 2009, the County adopted the Allegany County Emergency Services Length of Service Awards Program ("LOSOP") for the Allegany County Emergency Service Organizations members which provide fire, rescue, and ambulance services to the residents of Allegany County. The plan is a single employer, defined benefit pension plan which is open to any volunteer over the age of eighteen, who has completed one year of service. Participants vest after ten years of service and earn a fixed dollar benefit based on years of service. The plan is administered by Allegany County and any and all changes made to the benefit terms of the plan are under the authority of Allegany County.

As of June 30, 2018, the program membership consisted of 562 eligible active members and no retirees. There are no inactive members that currently receive benefits nor are there any inactive members that are entitled to but not receiving benefits.

The plan is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis and are recognized when due and payable in accordance with the terms of the plan. Benefits accrue per month at the rate of \$7 multiplied by the years of service, with a maximum benefit of \$105 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. No benefits have been paid.

## **Labor Relations**

As of July 1, 2018, the County employed approximately 497 employees. The County has a merit system and is a party to collective bargaining agreements with the American Federation of State, County and Municipal Employees ("AFSCME") AFLCIO, Local 1633, Roads; Local 1521C, 911 Dispatchers, EMS Local 1715, Local 1633T Transit and the Fraternal Order of Police ("FOP"), Lodge 144.

There are currently 54 members of Local 1633, 25 members of Local 1521, 24 members of Local 1633T, and 94 members of FOP 144, and 24 members of Local 1715. Three-year contracts with all unions are currently in effect through June 30, 2019. The County will re-enter union negotiations early in 2019 seeking to secure a new multi-year agreement. The County has not experienced a work stoppage due to labor relation disputes and considers its relationship with employees to be satisfactory.

## **Insurance**

The County maintains liability, automobile, property, heavy equipment floater, equipment floater, comprehensive boiler & machinery, law enforcement 911 dispatcher professional liability, workers' compensation, cyber, and public officials professional liability insurance with private carriers. The County also provides unemployment insurance coverage for County employees.



## **BUDGET AND ACCOUNTING**

The formulation of the County's budget is a joint responsibility between the Director of Finance and the County Administrator who are subject to the supervision of the County Commissioners.

The County Budget is comprised of the Operating Budget, which has current year appropriations for all funds, and the Capital Budget.

### **Operating Budget**

The Operating Budget, which must be balanced, is prepared by the County Administrator and the Director of Finance on a modified accrual basis and submitted for approval of the Board of County Commissioners. It is based upon estimated revenues and expenditures for operations for the ensuing fiscal year that are submitted to the Director of Finance and the County Administrator by the head of each office, Court, department, institution, board, commission, corporation or other agency of the County government. The current Operating Budget must contain the following information-nation: (1) a statement of all revenues estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of the debt service requirements for the ensuing fiscal year; (3) a statement of the estimated cash surplus, if any, available for expenditure during the ensuing fiscal year; (4) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Board of County Commissioners for the ensuing fiscal year for each function, activity, and sub-activity; and (5) any other material which the Board of County Commissioners may deem advisable.

Variance reports of actual revenues and expenditures versus budgeted revenues and expenditures are prepared by the Director of Finance on a monthly basis. Additionally, individual offices, departments, boards, commissions, and other agencies of the County review on a monthly basis all events affecting their budgetary estimates and can request the Board for supplemental appropriations to increase their budgetary allowances. The Board in turn has the power to grant such increases.

### **Capital Budget**

The Capital Budget is prepared by the County Engineer after approval by the Review Committee and then submitted for approval to the Board of County Commissioners. The Review Committee consists of the County Administrator, Director of Public Works, Director of Finance, County Engineer and Director of Economic Development. It is based on the need for having certain capital projects undertaken and the availability of financial resources. Each project is identified with estimated costs and estimated sources of funding. All funding requests are then applied to a debt affordability model to ascertain if the proposed debt is within the County's self-imposed debt guidelines.

### **Adoption of Budget**

Before the end of April in each year, the preliminary County Budget is publicly reviewed by the County Commissioners at an announced time and date. Opportunities are then available at the next several public meetings for citizens to express their views. After the public hearings, the Board of County Commissioners may revise the preliminary budget. Line item details of all individual departmental and agency requests and propose appropriations are available. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Budget must be approved and signed by a majority of the Commissioners by June 30<sup>th</sup>.

### **Basis of Accounting**

Governmental and agency funds are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized when received in cash except those accruable, which are recorded as receivables when measurable and available to pay current-period liabilities. Such revenue items are property taxes, other taxes, and reimbursable type grants. Expenditures are recognized on the modified accrual basis with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations (principal and interest) are reported only when due, and costs of accumulated unpaid vacation and sick leave are reported in the period earned by employees and as required by FASB Statement No. 43.

Proprietary funds are accounted for on the accrual basis of accounting: revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivables are recognized as revenue at year-end.

## **Accounting Policies**

The accounting policies of the County conform to generally accepted accounting principles (“GAAP”) as applicable to governments.

Beginning with the year ended June 30, 1986, the County adopted provisions of Statement 3 of the National Council on Governmental Accounting. The effect of this change is to include in the combined financial statements for the fiscal year ended June 30, 1986 and each fiscal year thereafter, the operations of the Board of Education of Allegany County, LaVale Sanitary Commission and Allegany College of Maryland.

The operations of the aforementioned entities, as appropriate, have been included in Special Revenue Funds, Capital Projects Funds, and Trust Funds. The operations of the LaVale Sanitary Commission and the Allegany County Sanitary Commission have been included in Enterprise Funds.

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## COUNTY SERVICES

### Education

The County Board of Education, the five members of which are each elected for four-year terms, is responsible for the overall operation and policy decisions of the County's public school system. The Superintendent of Schools serves as the Board's Secretary-Treasurer. As of the end of the 2017-2018 school year, the Board of Education exercised responsibility for 22 elementary and secondary schools, which accommodated 8,539 students. In May and June of 2018, 626 students were graduated from County public high schools. The enrollment for the 2018-2019 school year is estimated to be 8,629. The teacher to pupil ratios for the 2018-2019 school year was 1 per 12 students. The system employed 705 teachers during the 2018-2019 school year.

Other statistics are as follows:

	<b><u>2016-2017</u></b> <b><u>School Year</u></b>	<b><u>2017-2018</u></b> <b><u>School Year</u></b>	<b><u>2018-2019</u></b> <b><u>School Year</u></b>
Current Expense Operating Budget .....	\$105,372,378	\$111,569,669	\$114,217,877
Average per Pupil Expenditure .....	12,832	13,621	13,944

### Higher Education

Allegany College of Maryland is a comprehensive two-year college serving, in school year 2018-2019, approximately 3,236 students in its credit courses and programs and approximately 7,037 students in its continuing education offerings. Allegany College has experienced a 10% decline in enrollment over the last 5 years largely due to increased competition in higher education available online. One way Allegany College plans to stabilize and increase enrollment is to modernize its infrastructure. The Technology Building, built in 1975, is outdated and limiting Allegany College from offering more technology-based programs. A complete renovation of the Technology Building being financed with the proceeds of the Bonds will provide a state-of-the-art learning facility for students and will include a forensics lab and space for robotics and cybersecurity majors.

The physical plant of the college consists of 20 buildings located on 351 acres. The College employs 295 full-time faculty and staff and 214 part-time faculty and staff. In addition, 95 students are employed through work-study programs.

The following table shows the College's revenues by source for fiscal years 2015 through 2017 and unaudited revenues for fiscal year 2018:

	<b><u>Fiscal Year</u></b> <b><u>2018*</u></b>	<b><u>% of</u></b> <b><u>Revenue</u></b>	<b><u>Fiscal Year</u></b> <b><u>2017</u></b>	<b><u>% of</u></b> <b><u>Revenue</u></b>	<b><u>Fiscal Year</u></b> <b><u>2016</u></b>	<b><u>% of</u></b> <b><u>Revenue</u></b>	<b><u>Fiscal Year</u></b> <b><u>2015</u></b>	<b><u>% of</u></b> <b><u>Revenue</u></b>
State	\$7,465,197	21.8%	\$7,084,004	21.0%	\$7,196,497	21.0%	\$7,191,388	20.7%
County	7,630,550	22.3%	7,630,550	22.6%	7,555,000	22.0%	7,555,000	21.7%
Tuition/Fees	6,836,920	20.0%	7,460,605	22.1%	7,002,697	20.4%	7,357,880	21.1%
Federal	6,553,921	19.2%	6,669,007	19.8%	7,600,572	22.2%	7,669,875	22.0%
Miscellaneous	5,716,866	16.7%	4,903,512	14.5%	4,951,402	14.4%	5,029,364	14.5%
Total	<u>\$ 34,203,454</u>	<u>100.0%</u>	<u>\$33,747,678</u>	<u>100.0%</u>	<u>\$34,306,168</u>	<u>100.0%</u>	<u>\$34,803,507</u>	<u>100.0%</u>

\*Unaudited FY 18.

Also located in the County is Frostburg State University, a public four-year institution, which is under the governance of the University of Maryland Board of Regents. The school, which was awarded university status in 1987, serves as the regional State University for Western Maryland and offers undergraduate and graduate programs in over 80 fields of study. The fall 2018 enrollment was 5,294, including full- and part-time students. Nearly 91% of the faculty holds doctorates or terminal degrees in their fields of study.

### Planning and Zoning

In 1960, the County Commissioners established the Allegany County Planning and Zoning Commission (the "Commission"). The seven members of the Commission are appointed by the County Commissioners for five-year terms and serve in an advisory capacity. In 1962, the Commission employed a private consultant to prepare the County's first Comprehensive Plan, which was adopted in 1965. Along with this plan, the County Commissioners adopted a Zoning Ordinance, Zoning Map, and Subdivision Regulations.

In 2014, the Planning Commission completed an updated Comprehensive Plan which was adopted by the County Commissioners in May 2014. The Commission also revised the Zoning and Subdivision Regulations in 1996. These new regulations were effective January 1997. In 1998, the County adopted the State mandated Building Code which became effective January 1999.

The Commission revised the zoning regulations and zoning map in 2017 in order to create a more user-friendly ordinance and to merge an area of the County (LaVale) that previously had its own zoning ordinance into the County's ordinance. Some districts were rezoned as a follow up to the 2014 Comprehensive Plan recommendations, as well. This included a mixture of urban to nonurban and nonurban to urban.

## **Police and Fire**

The Allegany County Sheriff's Department is the primary law enforcement agency of the County. The Sheriff's Department investigates criminal activities, maintains and supports the County detention center, and provides court security. It also serves civil papers and warrants issued from the Courts of the County and State.

The Sheriff's Department consists of an elected Sheriff and 119 full- and part-time employees.

The main Sheriff's office is located in Cumberland. It patrols and serves the County 24 hours per day.

There are 21 volunteer fire departments and 3 volunteer rescue squads with approximately 700 active members operating 106 pieces of equipment. There are 7 volunteer fire companies which provide ambulance service. Also, there are 3 volunteer rescue squads with approximately 80 active members operating 16 ambulances. Rescue squads are independent organizations not associated with the volunteer fire departments.

In addition, Allegany County provides emergency medical technicians and paramedics to support the operation of County volunteer fire and rescue organizations. For fiscal year 2018, 24 positions and approximately 40 part-time positions were provided at a cost of \$1,985,086. Each volunteer organization in Allegany County is provided an annual appropriation to assist with operation costs of the organization. In fiscal year 2018, Allegany County provided \$968,386 to fund these allocations.

Request for emergency services is dispatched from the County 911 Joint Communications Center staff with 24 full-time dispatchers.

## **Airport**

The Cumberland Regional Airport Authority is operated by the Potomac Highlands Airport Authority by virtue of a Bi-State agreement between Maryland/Allegany County and West Virginia/Mineral County.

Allegany County is responsible for funding 50% of the operating costs of the Airport not covered by income generated by fuel sales, hangar fees, etc. The County funding for Airport operating costs totaled \$230,000 in fiscal year 2017; \$230,000 is budgeted again in fiscal year 2018.

## **Health**

The County provides various health services to the citizens of the County through the Department of Health. The Department of Health, individually or in conjunction with the Maryland Department of Health and Mental Hygiene, is responsible for the enforcement of all State and local health and sanitation laws. The Department of Health also provides services in the areas of nutrition, nursing, maternal and child care, mental retardation, geriatrics, mental health, and addictions. Pursuant to matching grants, the State reimburses a portion of the operating expenditures for health.

### *Western Maryland Health System*

In an effort to effectively manage local healthcare resources, Memorial Hospital and Medical Center of Cumberland and Braddock Hospital (formerly Sacred Heart Hospital) joined together in April 1996 to form the Western Maryland Health System (WMHS). WMHS oversees the operation of the Western Maryland Regional Medical Center (WMRMC), a 275-bed state of the art hospital, and related entities. WMHS strives to enhance patient care while reducing healthcare costs and improving the overall health of the community.

WMHS offers a comprehensive range of general and specialty services for medical, surgical, pediatric, and obstetrical patients. Sophisticated diagnostic testing services are provided at the WMRMC, as well as at off-site, outpatient diagnostic centers. An extensive range of physician specialties is available, with over 200 physicians practicing in the community.

Emergency services are provided at the WMRMC, which serves as the designated area wide Trauma Center in the Maryland Institute for Emergency Medical Services Systems (MIEMSS). Critical care services, as well as surgical services, a trauma program and comprehensive inpatient rehabilitation unit.

WMHS provides patient-centered care and offers a variety of care services. The Center for Clinical Resources is a source of support for patients managing chronic medical conditions such as diabetes, anticoagulation medication, heart failure and COPD. The Heart Institute at WMHS provides a comprehensive range of cardiac diagnostic and treatment services, including open-heart surgery and interventional cardiology (angioplasty).

A full range of cancer services is available through the Schwab Family Regional Cancer Center, which is accredited by the American College of Surgeons. Included in the WMHS program are diagnostic testing; a wide array of treatment services, including radiation oncology; hospice services, and many patient support services.

Long-term care services are provided through the Frostburg Nursing and Rehabilitation Center, an 88-bed nursing home and includes the Haven Unit, a special 22-bed unit for Alzheimer's residents.

Improving the community's overall health is an important aspect of WMHS. Health promotion activities include health screenings, support groups, classes on adopting healthy lifestyles, and exercise programs. Special activities for children and senior citizens, as well as other at-risk populations, are offered throughout the year.

WMHS is designated as a Primary Stroke Center by the Maryland Institute for Emergency Medical Services System. Similar to the concept used for Maryland's trauma centers, this designation indicates a commitment to having the resources in place to maintain high standards for stroke care.

Western Maryland Health System Comprehensive Inpatient Rehabilitation Unit is CARF accredited and consists of 13 private patient rooms, a bright dining room with views of the mountains for eating meals, a spacious therapy gym, and a transitional apartment for practicing the tasks and skills needed to succeed in life after rehab.

### **Allegany County Sanitary District**

The Allegany County Sanitary District, a public corporate body governed by the Allegany County Sanitary Commission (the "Commission"), is authorized to establish, extend, and maintain water and sewerage systems in the County other than in incorporated municipalities and the area served by the LaVale Sanitary Commission.

Pursuant to a State law enacted in 1987, the County Commissioners in that year assumed jurisdiction over the Commission and directed that a Public Utilities Division in the County's Department of Public Works and the County's Department of Finance be charged with carrying out the administration and operations of the Commission.

The Commission is empowered to levy and collect front-footage benefit assessments, water and sewer system upkeep charges, connection charges and service charges, in order to finance its operational expenses, debt service and capital improvements. The Commission has no direct taxing power, but the County can levy taxes for the Commission. The County has from time to time advanced funds to the Commission to provide temporary financing for various projects. Because the Commission does not receive other direct financial support from the County, it must rely upon funds derived from its customers, from Federal and State grant assistance, and from various investments. However, the charges which the Commission is empowered to levy, when levied, constitute liens on the property served or benefited, subject only to liens for State and County taxes.

The Commission is authorized to finance its capital projects by issuing bonds from time to time upon the full faith and credit of the Sanitary District and of the County. However, such bonds may only be issued with the approval of the Board of County Commissioners. The Commission is empowered to establish connection charges and front-footage benefit assessments to pay the principal of and interest on such bonds. The Commission is further authorized to cause the County to levy, against all assessable property within each district for which bonds have been issued, a tax sufficient, with any other funds of the Commission available for such purpose, to pay the debt service on bonds issued to finance projects within such district. If the funds available to the Commission from such charges and taxes should for any reason prove insufficient to pay the debt service on the Commission's outstanding bonds, the County is required to levy and collect ad valorem taxes upon all the assessable property within the corporate limits of the County to provide for such payment when due. (See "CERTAIN DEBT INFORMATION" for a summary of the Commission's outstanding debt.)

The Commission is currently composed of seven members who are appointed by the Board of County Commissioners for six-year terms. The Commission elects its own Chairman.

The Commission is currently providing sewerage service to approximately 28,000 residents in 14 sanitary districts in the County, and water service to approximately 1,600 customers through four water systems.

## **LaVale Sanitary Commission**

The LaVale Sanitary Commission, a separate body politic and corporate (the "LaVale Commission"), was created by the Maryland legislature in 1947. It is composed of five members who are appointed by the Board of County Commissioners for terms of six years. The Commission elects its own Chairman, and appoints a Secretary-Treasurer who is charged with the duty of receiving and accounting for all monies payable to the Commission.

The LaVale Commission is authorized to establish, maintain, and extend water and sewer services for the LaVale area of the County. The LaVale Commission currently provides water and sewer service to approximately 2,500 residences and places of business, serving a population of about 8,500.

The LaVale Commission is not authorized to issue bonds directly, but the Board of County Commissioners is empowered to issue bonds upon the full faith and credit of the County in such amounts as the Board may deem to be necessary for the LaVale Commission to carry on its work. The debt service on such bonds is payable in the first instance from front footage benefit assessments that the LaVale Commission is authorized to levy, and then from ad valorem taxes levied against all assessable property within the area served by the LaVale Commission. If in any year the proceeds of such assessments and taxes are insufficient to pay the debt service on the bonds, the County is required to make up the deficiency through the levy on all property in the County subject to unlimited County taxation of ad valorem taxes in rate and amounts sufficient for that purpose. (See "CERTAIN DEBT INFORMATION" for a summary of the LaVale Commission's outstanding debt.)

## **Utilities and Services**

### *Telephone*

Telephone service in the County is provided by Verizon Maryland, Inc. and Atlantic Broadband. Mobile telephone providers are US Cellular and AT&T.

### *Internet*

Internet service is provided by Atlantic Broadband, Comcast and TWR. Wireless internet service is provided by a local company, Skypacket Networks. Skypacket is an Internet Service Provider that provides internet service to residences and businesses in the Cumberland, Maryland and Northeast Pennsylvania areas. The network is a fixed wireless network using the latest, most reliable radio technology.

### *Electric*

Potomac Edison provides electric service in, the County by a system of transmissions lines from interconnected generating plants.

### *Natural Gas*

Columbia Gas of Maryland supplies natural gas to Cumberland and other areas of the County.

### *Solid Waste*

The County has a contract with a private corporation to develop, permit, own and operate a sanitary landfill in the County for the disposal of solid waste generated in the County. The users, including the County, pay a uniform tipping fee. The County also has a service contract to provide bulk container service for solid waste removal at selected sites in the County. A hauling fee is charged to the County. The County renewed the landfill agreement in December 2008, with an expiration date of February 2033. Fees are reflective of volume and weight of objects with a minimum of \$1 per bag.

## **Transportation**

### *Railroads*

Freight Service: CSX provides daily freight and piggyback service through Cumberland. CSX also has a large classification yard in Cumberland.

Passenger Service: Amtrak provides daily passenger service from Cumberland to Washington, D.C. and to Chicago.

## *Highways*

I-68 provides an east-west corridor through Allegany County. I-68 merges with I-70 to the east and I-79 at Morgantown, West Virginia to the west.

US 220: North-south highway which intersects the Pennsylvania Turnpike, 32 miles north of Cumberland.

## *Roads*

The County-owned and maintained road system of approximately 550 miles and 139 bridges supplements approximately 77 miles of State-maintained primary and secondary roadways serving the County. The Pennsylvania Turnpike is accessible by driving 32 miles north of Cumberland on U.S. 220 and Interstate 70, to Washington, D.C. and Baltimore, is accessible by driving 15 miles east of the County line on I-68.

## *Air Service*

The Cumberland Regional Airport is operated by the Potomac Highlands Airport Authority, has continued to grow in facilities and services. In 2000, a large-scale maintenance hangar was constructed using funds provided by the State of Maryland. This facility, available for both short and long-term leasing, compliments the terminal building. A multi-million dollar run way rehabilitation project is currently under construction. The project is estimated to cost between \$33-\$36 million and expected to be completed by 2022.

## *Bus Service*

Greyhound Lines operates a terminal in Cumberland for inter-county travel. Local bus service is provided by the Allegany County Transit System.

## *Recreation*

Allegany County is situated in an area of enormous natural resources open to recreational uses. State parks and forests provide thousands of acres of natural habitat, hiking trails, campgrounds, lakes and rivers for public use. These resources are highlighted by Rocky Gap State Park with its, lake, campground, day use area. At this location, the Rocky Gap Casino & Resort operates a casino, including approximately 550 slot machines and table games, along with a 200-room hotel and 18 hole Jack Nicholas Signature Golf Course.

In addition to the natural resources, the area is the focus of 300 years of history from Native American sites to the C&O Canal National Historic Park and the Western Maryland Scenic Railroad. The area's tourism potential is managed and marketed by the Allegany County Tourism Department. Future developments are expected to add to the lure of the County. Recently completed projects include Canal Place Preservation and Development Authority shops, and the Allegheny Highland's Trail, a premier hiking and biking trail, which connects to the C&O Canal and follows former rail lines to Pittsburgh, allowing for a continuous trail from Pittsburgh to Washington DC through Allegany County.

The community also has abundant organized sports for children, youth, adults and seniors. Leagues for baseball, golf, basketball, soccer, softball and football make sports available for nearly every citizen.

## *Cultural*

The Allegany Arts Council serves as the umbrella organization that promotes a series of annual events including exhibitions, concerts, amateur theatre and professional performances sponsored by local institutions and non-profit organizations.

DelFest, the country's second largest bluegrass music festival, takes place annually at the Allegany County Fairgrounds, and includes 4 days of performances over the Memorial Day Weekend.

The Cumberland Theatre, Western Maryland's only professional theatre, presents a schedule of performances each season.

## **REVENUES AND EXPENDITURES**

### **General**

The County's principal source of revenue is taxes, which constitute approximately 77% of total General Fund fiscal year 2018 (unaudited) revenues, 47% are from property taxes, and 29% come from income taxes. The second largest source of revenue is intergovernmental revenues (revenues received from State and Federal governments) which represent approximately 13% of all revenues in fiscal year 2018 (unaudited).

Although real and personal property taxes are the County's most important source of revenue, revenue from income taxes, as a percentage of total General Fund revenue, has ranged from 28% to 31% during the last five fiscal years. Property taxes have remained fairly constant between 47% to 51% of total General Fund revenue over the last five fiscal years.

### **Property Taxes and Assessments**

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. For State and County real property tax purposes, real property is valued at market value and assessed at 100% of the currently phased-in amount of that value. The real estate assessment of 100% is due to a State law (SB 626) change that became effective October 1, 2000. Prior to the law change, the assessment was 40% of the market value. The General Assembly made the revision in order to make the real property tax bills simpler and easier to understand. There was no change to the assessment of personal property. All property is physically inspected once every three years and any increase in value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

Tangible personal property is assessed at cost, less 10% depreciation for each year held, to a minimum of 25% of cost. The County does not currently levy any tax on commercial and manufacturing inventory.

### **Property Tax Credit Programs**

Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland (2014 Replacement Volume) provides for the Homestead Property Tax Credit on certain owner-occupied residential property. The tax credit equals the County's tax rate multiplied by the amount by which the current year's assessment on residential property exceeds 110% of the previous year's taxable assessment (or such lesser percentage, but not less than 100%, of the previous year's taxable assessment as shall be established by the County). Beginning July 1, 2009, the County elected to reduce the rate of the credit percentage to 107%. For fiscal year 2017, the amount of County Homestead Credit totaled \$35,028.

The State also provides the Homeowners Tax Credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. The amount provided in tax credits to homeowners in fiscal year 2017 was \$598,507.

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years and the general County tax rate (see "Municipal Tax Rate Differential" below) and State tax rate applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, are not included in the following table. Under applicable law, there are no limits on the rates of property taxes as set forth in the table.



<b>Assessed Value</b>	<b>2018*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Real Property	3,528,551,083	3,506,924,084	3,487,280,029	3,469,830,592	3,511,729,354
Personal Property	7,678,200	6,705,040	6,494,120	4,997,740	5,028,930
Corporate Personal Property	329,114,435	346,994,870	337,155,996	345,858,616	358,164,980
Total Base	3,865,343,718	3,860,623,994	3,830,930,145	3,820,686,948	3,874,923,264
Tax Rates:					
General County Tax (Per \$100 of assessed value)	\$0.9760	\$0.9770	\$0.9780	\$0.9790	\$0.9800
State Tax Rate (Per \$100 of assessed value)	\$0.1120	\$0.1120	\$0.1120	\$0.1120	\$0.1120

\*Unaudited FY 18.

Source: FY 17 CAFR, Statistical Section, Revenue Capacity ~ Schedule Assessed Value and Actual Value of Taxable Property.

In preparation of the 2018 budget, the assessment information for real property is \$3,534,770,569, \$185,540,000 for personal property, and \$156,002,000 for public utilities for a total of \$3,876,312,569. The general County tax rate is \$0.9760 and the State tax rate remained the same at \$0.1120.

### **Tax Levies and Collections**

County taxes are due and payable as of July 1 of each fiscal year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectibles is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1.5% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the Director of Finance in the second year following delinquency.

State law mandates as of July 1, 2000, owner-occupied residential property owners may pay real property taxes under a semiannual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. Any unpaid installments after September 30, and December 31, are charged interest of 1.5% monthly on the respective installments.

The Maryland Truth in Taxation Act, Chapter 80 of the Laws of Maryland of 2000 ("Chapter 80"), mandates that real property be assessed at 100% of its market value for the purposes of determining State and County real property taxes. These changes became effective October 1, 2000 and apply to fiscal years beginning July 1, 2001. The legislation is intended to be revenue neutral and specifically provides, for purposes of application against assessments of 100% of market value, that real property tax rates generally shall be reduced to 40% of the current real property tax rates effective July 1, 2000.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent years ended June 30. Figures under "Taxes Collected in Year of Levy" reflect the amount of each year's property tax levy collected in that year; figures under "Total Taxes Collected" reflect, with respect to each year shown, the amount of that year's levy collected by June 30.

### **Property Tax Levies and Collections**

<b>Fiscal Year</b>	<b>Total Adjusted Taxes Levied for the Fiscal Year (1)</b>	<b>Collections within the Fiscal Year of Levy</b>	<b>Percentage of Levy</b>	<b>Collections in Subsequent Years (2)</b>	<b>Total Collections to Date</b>	<b>Percentage of Levy</b>
2014	\$40,564,402	\$37,960,339	93.58%	\$2,504,323	\$40,464,662	99.75%
2015	40,357,479	37,519,603	92.97%	2,746,258	40,265,861	99.77%
2016	40,235,283	37,517,142	93.24%	2,590,864	40,108,006	99.68%
2017	40,328,313	37,838,200	93.83%	1,265,337	39,103,537	96.96%
2018*	39,350,395	36,582,089	92.96%	0	36,582,089	92.96%

\*Unaudited FY 18.

Source: FY 17 CAFR, Statistical Section, Revenue Capacity ~ Property Tax Levies & Collections.

The table below, for unaudited fiscal year 2018, indicates the ten largest taxpayers in the County, the assessed value of their property and the proportionate share of the County's total assessed value.

<u>Name of Taxpayer</u>	<u>Assessment</u>	<u>% of Assessed Value</u>
AES WR Limited Partnership	\$64,869,603	1.66%
Potomac Edison Co.	62,324,100	1.60%
CSX Transportation	37,872,240	0.97%
New Page (Mead/Westvaco)	34,674,800	0.89%
Columbia Gas of Maryland	33,325,840	0.85%
LaVale Associates	31,079,733	0.80%
Trans-Allegheny Interstate Line	25,833,650	0.66%
Verizon-Maryland (Bell Atlantic)	17,466,260	0.45%
Hunter Douglas Northeast, Inc.	16,085,610	0.41%
Allegany Coal-Land	13,858,190	0.35%

Source: Unaudited FY 18 CAFR, Statistical Section, Revenue Capacity ~ Principal Property Tax Payers.

### **Municipal Tax Rate Differential**

In establishing the County tax rate applicable to assessed property within the seven incorporated municipalities located in the County, the costs of certain services provided by the County are allocated in order to implement provisions of State law which preclude the owners of property located in those municipalities from being taxed by the County for services already provided by the municipality. Hence, since fiscal year 1986, owners of property located in unincorporated areas have been taxed by the County for all services that the County provides, while owners of property located in incorporated municipalities have been taxed by the County at varying rates so as to reflect only those services directly provided by the County and not the municipalities.

The following table shows five most recent fiscal years, the County property tax rates (per \$100 of assessed valuation) applicable within the several incorporated municipalities, the general County tax rate, and the tax rates imposed by the municipalities on property located within their corporate limits.

	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Allegany County Tax Rates:</u></b>						
Barton	0.8843	0.8935	0.8938	0.8976	0.8910	0.8892
Cumberland	0.8324	0.8452	0.8486	0.8530	0.8424	0.8371
Frostburg	0.8405	0.8530	0.8560	0.8597	0.8497	0.8436
Lonaconing	0.8573	0.8696	0.8714	0.8761	0.8675	0.8655
Luke	0.8551	0.8670	0.8687	0.8735	0.8645	0.8620
Midland	0.8843	0.8935	0.8938	0.8976	0.8910	0.8892
Westernport	0.8843	0.8935	0.8938	0.8847	0.8745	0.8702
Unincorporated	0.9760	0.9770	0.9780	0.9790	0.9800	0.9810
<b><u>Municipal Tax Rates:</u></b>						
Barton	0.1736	0.1727	0.1718	0.1728	0.1649	0.1662
Cumberland	1.0595	0.9654	0.9654	0.9654	0.9654	0.9654
Frostburg	0.6600	0.6400	0.6200	0.5820	0.5665	0.5665
Lonaconing	0.3512	0.3498	0.3527	0.5552	0.3400	0.3400
Luke	1.0604	1.0600	1.0600	0.7500	0.5500	0.5500
Midland	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Westernport	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000

\*Unaudited FY 18.

Source: FY 17 CAFR, Statistical Section, Revenue Capacity ~ Schedule of Real Property Tax Rates.

## **Special Taxing Areas**

Thirty special taxing areas have been established in the County. As provided by various statutes, taxes are levied and assessed within the special taxing areas to provide revenues for the amortization of bonded indebtedness of sanitary districts and to pay for fire protection, street lighting and other civic services. For fiscal year 2018, tax rates within the special taxing areas varied from a low of 0.019 cents to a high of 0.25 cents per \$100 of assessed valuation.

## **Income Taxes**

The State imposes an income tax on the adjusted gross income of individuals for federal income tax purposes, subject to certain adjustments. For tax year 2018, Maryland had graduated personal income tax rates starting at 2 percent on the first \$1,000 of taxable income and increased it up to a maximum of 5.75% on incomes exceeding \$250,000.

Pursuant to State law, each county and Baltimore City must levy a local income tax at the rate of at least 1.25%, and may levy such tax at a rate not to exceed 3.20% in tax year 2012 and later, of taxable income of individuals domiciled in their respective jurisdictions. This tax is collected by the State and forwarded to the County. The rate was set at 3.05% of the State taxable income on January 1, 2008. The County does not levy a local income tax on corporations.

## **Other Local Taxes**

In addition to general property taxes and income taxes, the County is authorized to levy and collect other miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in fiscal years 2018 and 2017 were \$1,323,973 and \$1,527,249, respectively. The County also receives revenues from taxes levied on amusement admission charges, trailers, transfer and hotel/motel room charges. Revenues from all these sources in fiscal year 2018 and 2017 were \$1,885,528 and \$2,018,796, respectively.

The County receives from the State of Maryland highway user and gasoline taxes. These taxes totaled \$690,000 in fiscal year 2018 and \$539,372 in fiscal year 2017.

## **State and Federal Assistance**

During fiscal year 2018, the County received from the State of Maryland for use as General Fund Operating funds, \$10,110,247 in this aggregate was \$8,930,611 Disparity Grant and \$243,301 for police protection. In fiscal year 2017, the County received \$10,651,996 from the State of Maryland for use as General Fund Operating funds, \$8,930,611 as a Disparity Grant and \$236,298 for police protection.

During fiscal year 2018, the County received \$692,734 from the Federal government for use as General Fund Operating funds; of such funds, \$25,647 was for Homeland Security. During fiscal year 2017, the County received \$631,946 from the Federal government for use as General Fund Operating funds; of such funds, \$140,178 was for Homeland Security. In fiscal years 2018 and 2017, total federal assistance in all accounting funds was \$2,861,344 and \$4,380,398, respectively.

## **Budget Results for Fiscal Year 2018**

The County closed fiscal year 2017 with an unassigned General Fund balance of \$18,649,963; unaudited results show the County closing fiscal year 2018 with an unassigned General Fund balance of \$16,356,449.

Permanent repealing of State statutes which provided for the sharing of certain revenues will continue to strain the County's finances. However, the State has recognized that seven of the 23 Maryland counties and Baltimore City should receive a "Targeted Disparity Grant" based on their local income tax revenues per capita being lower than 75% of the State-wide average revenues per capita. Allegany County is one of the seven counties and in fiscal year 2018 received \$8,930,611; in fiscal year 2017, this amount was \$8,930,611.

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The table below presents the County's General Fund actual results for fiscal years 2013-2017 and unaudited results for fiscal year 2018:

**GENERAL FUND  
SUMMARY OF REVENUES AND EXPENDITURES**

	<b>Fiscal Years Ended June 30,</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018*</b>
<b>REVENUES</b>						
Property taxes	\$ 40,302,290	\$ 43,948,120	\$ 41,737,685	\$ 41,018,799	\$ 42,106,441	\$ 41,494,934
Income taxes	24,249,252	24,112,733	25,910,575	26,880,919	26,435,017	25,797,515
Other local taxes	4,085,281	4,322,255	3,638,917	4,169,611	4,460,624	4,272,787
Licenses and permits	664,287	686,233	678,422	700,480	672,859	667,328
Intergovernmental:						
Federal	919,088	517,802	522,226	611,326	631,945	692,734
State	9,858,196	9,656,451	9,789,372	9,968,265	10,651,994	10,110,246
Other	547,001	485,372	600,745	306,747	178,297	901,052
Service charges	1,284,293	1,259,706	1,468,699	1,344,175	1,521,333	2,580,954
Fines and forfeitures	47,142	37,527	77,488	19,823	32,181	30,298
Interest	119,829	100,728	134,080	209,280	231,817	258,527
Miscellaneous	437,965	506,503	605,755	656,036	823,758	667,665
<b>Total Revenues</b>	<b>\$ 82,514,624</b>	<b>\$ 85,633,430</b>	<b>\$ 85,163,964</b>	<b>\$ 85,885,461</b>	<b>\$ 87,746,266</b>	<b>\$ 87,474,040</b>
<b>EXPENDITURES</b>						
General government	\$ 8,303,612	\$ 7,861,678	\$ 8,395,329	\$ 9,058,501	\$ 9,145,648	\$ 9,830,195
Public safety	15,648,870	15,659,972	16,758,445	17,295,896	18,121,850	21,119,691
Public works	9,171,239	9,864,520	9,604,693	10,324,031	9,936,319	10,400,361
Health and hospitals	438,291	411,510	432,996	452,436	425,494	541,245
Social services	1,378,693	1,483,664	1,283,500	1,318,831	1,276,688	1,251,241
Education	29,754	0	0	0	0	0
Recreation, culture, libraries	736,413	616,169	628,708	932,800	795,045	1,076,057
Conservation of natural resources	239,976	319,102	254,682	244,974	263,677	282,314
Community development and housing	38,000	8,000	8,000	8,000	8,000	8,000
Economic development	1,273,429	1,326,142	1,291,557	1,068,085	1,007,375	721,700
Miscellaneous	33,553	29,172	32,321	38,599	44,631	47,198
Appropriation to other governments	1,347,973	1,376,033	1,461,027	1,476,610	1,495,989	1,494,063
Payments to component units	38,080,712	38,598,041	38,234,206	38,601,988	38,940,222	39,200,289
<b>Total Expenditures</b>	<b>\$ 76,720,515</b>	<b>\$ 77,554,003</b>	<b>\$ 78,385,464</b>	<b>\$ 80,820,751</b>	<b>\$ 81,460,938</b>	<b>\$ 85,972,354</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 5,794,109</b>	<b>\$ 8,079,427</b>	<b>\$ 6,778,500</b>	<b>\$ 5,064,710</b>	<b>\$ 6,285,328</b>	<b>\$ 1,501,686</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 28,905	\$ 24,640	\$ 23,890	\$ 22,665	\$ 21,375	\$ 22,081
Transfers out	(4,042,145)	(4,367,536)	(2,657,924)	(8,992,485)	(4,890,912)	(3,228,112)
Sale of capital assets	27,850	21,820	1,716	39,790	13,706	15,232
<b>Total other financing sources (uses)</b>	<b>\$ (3,985,390)</b>	<b>\$ (4,321,076)</b>	<b>\$ (2,632,318)</b>	<b>\$ (8,930,030)</b>	<b>\$ (4,855,831)</b>	<b>\$ (3,190,799)</b>
<b>Net change in fund balance</b>	<b>\$ 1,808,719</b>	<b>\$ 3,758,351</b>	<b>\$ 4,146,182</b>	<b>\$ (3,865,320)</b>	<b>\$ 1,429,497</b>	<b>\$ (1,689,113)</b>
<b>Fund balances - beginning</b>	<b>\$ 17,891,065</b>	<b>\$ 19,699,784</b>	<b>\$ 23,458,135</b>	<b>\$ 29,118,262</b>	<b>\$ 25,457,159</b>	<b>\$ 26,886,656</b>
<b>Funds balances - end of year</b>	<b>\$ 19,699,784</b>	<b>\$ 23,458,135</b>	<b>\$ 27,604,317</b>	<b>\$ 25,252,942</b>	<b>\$ 26,886,656</b>	<b>\$ 25,197,543</b>

\*Unaudited FY 18.

Source: Allegany County Finance Department.

The table below presents the County's General Fund for fiscal years 2013-2017, as well as unaudited results for fiscal year 2018:

**Allegany County General Fund**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018*</b>
Fund Balance:						
Reserved	\$ 1,798,088	\$ 4,762,863	\$ 7,962,182	\$ 7,160,530	\$ 8,236,693	\$ 8,841,094
Unreserved	17,901,696	18,695,272	19,642,135	18,092,412	18,649,963	16,356,449
Total	<u>\$ 19,699,784</u>	<u>\$ 23,458,135</u>	<u>\$ 27,604,317</u>	<u>\$ 25,252,942</u>	<u>\$ 26,886,656</u>	<u>\$ 25,197,543</u>
GF Revenues	82,514,624	85,633,430	85,163,964	85,885,461	87,746,266	87,474,040
Total Governmental Funds Rev	\$ 90,049,230	\$ 94,134,836	\$ 94,822,063	\$ 95,692,764	\$ 99,740,938	\$ 100,055,567
<b>Unreserved Fund Balance:</b>						
<b>As % of GF Revenue</b>	<b>21.70%</b>	<b>21.83%</b>	<b>23.06%</b>	<b>21.07%</b>	<b>21.25%</b>	<b>18.70%</b>
<b>As % of Total Revenue</b>	<b>19.88%</b>	<b>19.86%</b>	<b>20.71%</b>	<b>18.91%</b>	<b>18.70%</b>	<b>16.35%</b>

\*Unaudited FY 18.

Source: Allegany County Finance Department.

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**SUMMARY OF ALLEGANY COUNTY SANITARY COMMISSION,  
WATER COMMISSION & LAVALE SANITARY COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018*</u>
<b>REVENUES</b>					
Operating Revenues:					
Service Charges	\$12,907,408	\$13,642,134	\$14,499,870	\$15,171,699	\$15,301,224
Interest Income	213,589	207,013	193,915	199,429	220,166
Other Income	89,616	45,279	59,801	42,764	37,062
Debt Service Revenues:	0	0	0	0	
General Property Taxes	1,250,864	1,252,290	1,185,160	1,215,625	1,392,205
Front Footage Assessments	23,771	22,245	17,073	17,500	16,382
Interest on Debt Service	12,306	5,911	6,092	5,728	5,299
Other Revenues:					
Income Tax	500,738	457,589	1,045,391	392,613	1,028,410
Operating Transfer	0	0	0	0	0
Federal Grants	5,396,238	2,402,560	2,497,497	1,750,012	1,830,784
State Grants	1,577,172	3,614,101	2,806,674	743,272	329,161
Other Grants	0	0	0	333,838	0
Construction Interest	0	0	0	0	0
Total Revenues	<u>\$21,971,702</u>	<u>\$21,649,122</u>	<u>\$22,311,473</u>	<u>\$19,872,480</u>	<u>\$20,160,693</u>
<b>EXPENSES</b>					
Operating Expenses:					
Salaries	\$1,707,804	\$1,671,753	\$1,736,176	\$1,708,233	\$1,708,322
Payroll taxes and benefits	1,080,434	1,091,733	1,232,560	1,274,680	1,088,291
Other expenses	14,291,315	15,263,845	16,449,307	17,748,660	17,577,440
Debt Service:	0	0	0	0	
Interest on long term debt	827,561	807,708	824,542	776,473	837,455
Collection fees	0	0	0	0	0
Total Expenses	<u>\$17,907,114</u>	<u>\$18,835,039</u>	<u>\$20,242,585</u>	<u>\$21,508,046</u>	<u>\$21,211,508</u>
Income (Decrease) in Retained Earnings	4,064,588	2,814,083	2,068,888	-1,635,566	-1,050,815
Operating Transfer In	92,230	113,712	140,593	126,902	113,965
Capital Contribution	0	195,696	1,316,368	1,009,854	378,937
Depreciation on assets acquired with contributing capital	0	0	0	0	0
Retained Earnings (Beginning of Year)	97,742,181	101,204,674	104,324,761	107,850,610	105,430,686
Extraordinary Item Prior Period Adjustment	0	0	0	0	0
Retained Earnings (End of Year)	<u>\$101,898,999</u>	<u>\$104,328,165</u>	<u>\$107,850,610</u>	<u>\$107,351,800</u>	<u>\$104,872,773</u>

\*Unaudited FY 18.

Source: Allegany County Finance Department

## CERTAIN DEBT INFORMATION

### General

The County is not subject to any legal limitation on the amount of direct general obligation indebtedness, but the incurring of direct bonded indebtedness by the County must be authorized by a public local law enacted by the County Commissioners of Allegany County.

The following table sets forth the amount of the County's general bonded debt and the bonded indebtedness of the Allegany County Water District, Allegany County Sanitary District, and the LaVale Sanitary Commission issued and outstanding at June 30, 2018:

### STATEMENT OF DIRECT AND CONTINGENT BONDED DEBT ISSUED AND OUTSTANDING June 30, 2018 (Does Not Include Bonds of this Issue)

	<u>Amount of Date of Issue</u>	<u>Principal of Issue</u>	<u>Issue Outstanding</u>
<b>Capital Improvement Bonds</b>			
Bonds of 2008 .....	12/16/08	\$4,600,000	\$ 505,908
Bonds of 2013 .....	03/27/13	9,650,000	6,220,000
Bonds of 2014 .....	12/16/14	9,200,000	8,245,000
Bonds of 2017 .....	01/20/17	9,000,000	8,511,000
<b>State Loans</b>			
MILA, MICRF, MABF .....	Various	9,189,908	642,863
<b>Other Loans</b>			
FHA Loan.....	1992	300,000	203,466
Subtotal .....		\$41,939,908	\$ 24,328,237
<b>Allegany County Water Districts</b>			
Loans from Allegany County .....	Various	\$ 500,691	\$ 243,204
Farmers Home Administration Loans ..	Various	12,542,400	10,949,763
Maryland Water Quality Loans/MDE.....	Various	421,729	425,330
<b>Allegany County Sanitary Districts</b>			
Farmers Home Admin Loans .....	Various	5,328,794	7,522,145
Maryland Water Quality Loans/MDE..	Various	22,023,132	10,511,775
Loans from Allegany County .....		<u>887,551</u>	<u>14,851</u>
Subtotal (1) .....		\$41,704,297	29,667,068
<b>LaVale Sanitary Commission</b>			
Farmers Home Admin Loans .....	Various	6,023,510	4,530,194
Subtotal (2) .....		<u>6,023,510</u>	<u>4,530,194</u>
Total .....		<u>\$89,667,715</u>	<u>\$58,525,499</u>

Notes: (1) This subtotal reflects the Allegany County Sanitary and Water Districts bonded indebtedness, the debt service on which is to be paid first from various charges which the Sanitary and Water Districts are authorized to levy but for the payment of which the full faith and credit of the County are unconditionally pledged.

(2) The subtotal reflects the LaVale Sanitary Commission bonded indebtedness, the debt service on which is to be paid first from various charges which the Sanitary Commission is authorized to levy but for the payment of which the full faith and credit of the County are unconditionally pledged.

Source: Allegany County Finance Department.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**June 30, 2018**  
**(Does not Include Bonds of this Issue)**

<b>FY</b>	<b>General Obligation Bonds</b>			<b>State Loans</b>			<b>General Obligation Notes</b>			<b>Total Debt</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Service</b>
2019	\$ 2,054,114	\$ 787,147	\$ 2,841,261	\$ 351,433	\$ 42,042	\$ 393,475	\$ 8,423	\$ 10,825	\$ 19,248	\$ 3,253,984
2020	2,098,908	726,689	2,825,597	214,421	8,842	223,263	8,915	10,333	19,248	3,068,108
2021	1,637,000	670,689	2,307,689	207,771	4,972	212,743	9,435	9,813	19,248	2,539,680
2022	1,502,000	615,017	2,117,017	115,675	1,578	117,253	9,985	9,263	19,248	2,253,518
2023	1,552,000	563,090	2,115,090	79,590	635	80,225	10,567	8,681	19,248	2,214,563
2024	1,613,000	503,082	2,116,082	25,406	236	25,642	11,184	8,064	19,248	2,160,972
2025	1,664,000	450,441	2,114,441	-	-	-	11,836	7,412	19,248	2,133,689
2026	1,711,000	396,091	2,107,091	-	-	-	12,526	6,722	19,248	2,126,339
2027	1,768,000	340,004	2,108,004	-	-	-	13,257	5,991	19,248	2,127,252
2028	1,820,000	286,854	2,106,854	-	-	-	14,030	5,218	19,248	2,126,102
2029	1,138,000	235,692	1,373,692	-	-	-	14,849	4,399	19,248	1,392,940
2030	1,182,000	202,039	1,384,039	-	-	-	15,715	3,533	19,248	1,403,287
2031	1,231,000	167,016	1,398,016	-	-	-	16,631	2,617	19,248	1,417,264
2032	1,276,000	130,623	1,406,623	-	-	-	17,601	1,647	19,248	1,425,871
2033	1,324,000	92,832	1,416,832	-	-	-	15,373	836	16,209	1,433,041
2034	630,000	53,231	683,231	-	-	-	-	-	-	683,231
2035	655,000	32,744	687,744	-	-	-	-	-	-	687,744
<b>Total</b>	<b>\$ 24,856,022</b>	<b>\$ 6,253,281</b>	<b>\$ 31,109,303</b>	<b>\$ 994,296</b>	<b>\$ 58,305</b>	<b>\$ 1,052,601</b>	<b>\$ 190,327</b>	<b>\$ 95,354</b>	<b>\$ 285,681</b>	<b>\$ 32,447,585</b>

Source: Allegany County Office of Finance.

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**SCHEDULE OF DEBT SERVICE REQUIREMENTS AS  
ADJUSTED FOR THE ISSUANCE OF THE BONDS**

**Public Improvement Bonds of 2018\***

<b>FY</b>	<b>Total Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Adjusted Debt Service</b>
2019	\$3,253,984	\$0	\$0	\$3,253,984
2020	3,068,108	315,000	464,987	3,848,095
2021	2,539,680	360,000	417,406	3,317,086
2022	2,253,518	380,000	398,906	3,032,424
2023	2,214,563	400,000	379,406	2,993,969
2024	2,160,972	420,000	358,906	2,939,878
2025	2,133,689	440,000	337,406	2,911,095
2026	2,126,339	460,000	314,906	2,901,245
2027	2,127,252	485,000	291,281	2,903,533
2028	2,126,102	510,000	266,406	2,902,508
2029	1,392,940	535,000	240,281	2,168,221
2030	1,403,287	565,000	212,781	2,181,068
2031	1,417,264	585,000	189,881	2,192,145
2032	1,425,871	605,000	171,653	2,202,524
2033	1,433,041	625,000	152,434	2,210,475
2034	683,231	645,000	132,188	1,460,419
2035	687,744	665,000	110,900	1,463,644
2036	0	690,000	88,450	778,450
2037	0	715,000	64,741	779,741
2038	0	740,000	39,725	779,725
2039	0	765,000	13,388	778,388
<b>Total</b>	<b>\$32,447,585</b>	<b>\$10,905,000</b>	<b>\$4,646,034</b>	<b>\$47,998,619</b>

Source: Allegany County Office of Finance and Davenport & Company.

\* Preliminary, subject to change.

(1) Totals may not add due to rounding.

(2) Interest rates estimated from 3.00% to 5.00%.

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## Future Bond Financing Plans

The County's Capital Improvement Program for Fiscal Year 2019 – 2023 provides a schedule for future debt issuances (including the Bonds within the fiscal year 2019 issuance amount).

	<b>Fiscal Year (Amounts in thousands)</b>					<b>TOTAL</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Project Category</b>						
Allegany College of Maryland	\$ 2,127.0	\$ 10,324.2	\$ 2,962.3	\$ 109.4	\$ 83.9	\$ 15,606.8
Allegany Fairgrounds	-	1,150.0	500.0	500.0	-	2,150.0
Board of Education	1,077.0	2,560.0	2,700.0	715.0	878.0	7,930.0
General Government Buildings	570.0	280.0	200.0	-	-	1,050.0
Public Works Flood Migration	1,013.7	988.7	-	-	-	2,002.4
Public Works Roads & Bridges	6,243.5	3,125.0	2,360.0	940.0	320.0	12,988.5
Sewer	9,945.0	2,045.0	4,500.0	1,400.0	-	17,890.0
Transit	111.9	107.5	-	-	-	219.4
Water	500.0	400.0	1,830.0	8,704.0	200.0	11,634.0
Economic Development	1,855.0	500.0	-	-	-	2,355.0
Emergency Services	-	1,410.0	665.0	-	2,490.0	4,565.0
Information Technology	100.0	1,865.0	-	-	-	1,965.0
Library System	250.0	490.0	2,200.0	2,200.0	-	5,140.0
<b>Total CIP Program</b>	<b>\$ 23,793.1</b>	<b>\$ 25,245.4</b>	<b>\$ 17,917.3</b>	<b>\$ 14,568.4</b>	<b>\$ 3,971.9</b>	<b>\$ 85,496.1</b>
	<b>Fiscal Year (Amounts in thousands)</b>					<b>TOTAL</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Source of Funding</b>						
General Obligation Bonds	\$ 1,709.0	\$ 3,354.5	\$ 1,124.4	\$ 732.8	\$ 25.2	\$ 6,945.9
Water & Sewer Bonds	1,012.5	575.0	6,822.0	1,600.0	-	10,009.5
<b>Future Plans to Incur Debt</b>	<b>\$ 2,721.5</b>	<b>\$ 3,929.5</b>	<b>\$ 7,946.4</b>	<b>\$ 2,332.8</b>	<b>\$ 25.2</b>	<b>\$ 16,955.4</b>
County PAYGO	\$ 609.0	\$ 75.0	\$ 50.0	\$ 50.0	\$ -	\$ 784.0
Other Local	3,622.1	8,430.6	4,313.7	1,014.9	3,134.5	20,515.8
State	4,718.6	10,557.8	10,966.2	2,418.6	719.7	29,380.9
Federal	13,420.0	3,220.0	860.0	360.0	-	17,860.0
<b>Total Funding</b>	<b>\$ 25,091.2</b>	<b>\$ 26,212.9</b>	<b>\$ 24,136.3</b>	<b>\$ 6,176.3</b>	<b>\$ 3,879.4</b>	<b>\$ 85,496.1</b>

Source: Allegany County Office of Finance.

Note: The County has also used paygo funding to reduce the amount that would have otherwise been issued as general obligation bonds. The County, under State law, is permitted to conduct paper gaming and is required to spend 75% of the proceeds on school construction projects. Since its inception in fiscal year 2004, the County has spent nearly \$3.7 million on school projects. Additionally, since the fiscal year 2008, the County has used paygo funding in an amount of \$8.1 million for other capital projects.

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Governmental Unit</b>	<b>Net Debt Outstanding</b>	<b>Allegany County's Share of the Debt(I)</b>	<b>Overlapping Debt</b>
Allegany County .....	\$ 59,824,527	\$ 59,824,527	\$ 0
Cumberland.....	57,921,501	0	57,921,501
Frostburg.....	7,738,568	0	7,738,568
Westernport.....	<u>5,550,251</u>	<u>0</u>	<u>5,550,251</u>
Total.....	<u>\$ 131,034,847</u>	<u>\$ 59,824,527</u>	<u>\$71,210,320</u>

Note: (1) Allegany County debt and debt for which Allegany County has pledged its full faith and credit.  
Source: Allegany County Finance Department.

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED  
DEBT TO TOTAL GENERAL FUND EXPENDITURES**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Expenditures</b>	<b>Ratio of General Fund Debt Service to Expenditures</b>
<b>2018*</b>	\$2,405,547	\$834,195	\$3,239,742	\$88,645,487	3.7%
<b>2017</b>	3,325,019	649,037	3,974,056	86,351,850	4.6%
<b>2016</b>	3,213,640	762,345	3,975,985	89,813,236	4.4%
<b>2015</b>	4,397,551	559,499	4,957,050	81,043,388	6.1%
<b>2014</b>	3,937,149	666,802	4,603,951	81,922,254	5.6%
<b>2013</b>	5,872,657	1,084,881	6,957,538	80,762,660	8.6%

\*Unaudited FY 18.

Source: Allegany County Finance Department.

**ALLEGANY COUNTY COMPONENT UNIT RATIO  
OF BONDED DEBT TO ASSESSED VALUES,  
MARKET VALUES AND BONDED DEBT PER CAPITA**

<b>Fiscal Year</b>	<b>General Obligation Debt</b>	<b>Assessed Value</b>	<b>Ratio of County Debt to Assessed Value</b>	<b>Estimated Population</b>	<b>Debt per Capita</b>
2018*	\$24,967,722	\$3,865,343,718	0.65%	71,614	\$349
2017	26,343,366	3,860,623,994	0.68%	72,130	365
2016	20,487,355	3,835,441,204	0.53%	72,528	282
2015	23,531,007	3,820,686,948	0.62%	72,952	323
2014	17,922,268	3,874,923,267	0.46%	73,521	244

\*Unaudited FY 18.

Source: Allegany County Finance Department, Bureau of Economic Analysis.

Notes: (1) Allegany County component unit debt only does not include any other component units of the Allegany County reporting entity.

## SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

### Population

#### Aggregate

The following table reports the trend in the County's aggregate population.

#### POPULATION OF THE COUNTY

2017*	71,615
2016*	72,130
2015*	72,528
2014*	72,952
2013*	73,521
2010	75,087
2000	74,930
1990	74,946
1980	80,548
1970	84,044
1960	84,169
1950	89,996

Source: U.S. Department of Commerce, U.S. Census Bureau, 2010 Census –  
\*American Community Survey – 1 Year Estimates.

#### Municipal

The following table sets forth the County's seven incorporated municipalities and their populations for the years 1970, 1980, 1990, 2000 and for the 2010 Census year.

#### MUNICIPALITIES

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Barton .....	723	617	525	478	457
Cumberland.....	33,415	25,933	23,212	21,518	20,859
Frostburg.....	6,722	7,715	8,048	7,873	9,002
Lonaconing .....	2,077	1,420	1,251	1,205	1,214
Luke .....	587	329	182	80	65
Midland.....	737	601	572	473	446
Westernport.....	3,559	2,706	2,440	2,104	1,888

Source: U.S. Department of Commerce, U.S. Census Bureau.

The following table sets forth the most recently published age and sex distribution estimates for the County for the 2010 Census year.

#### POPULATION DISTRIBUTION

<u>Age</u>	<u>Total Number</u>	<u>%</u>
0 - 4 years .....	3,496	4.6
5 - 17 years .....	10,023	13.3
18 - 64 years .....	48,166	64.1
65 and over .....	<u>13,402</u>	<u>17.8</u>
Total .....	74,930	100.0

Source: U.S. Department of Commerce, U.S. Census Bureau.

The following table sets forth the County's unemployment rate as compared with its neighboring counties, the State of Maryland and the United States for the most recent calendar years.

#### AVERAGE ANNUAL UNEMPLOYMENT RATE

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Allegany County .....	5.8	6.2	7.0	7.6	8.5
Garrett County .....	5.2	5.7	6.3	7.1	8.1
Washington County .....	4.6	5.1	5.6	6.5	7.3
State of Maryland .....	6.6	5.8	5.1	4.4	4.1
United States <sup>1</sup> .....	4.4	4.9	5.3	6.2	7.4

(1) U.S. Bureau of Labor Statistics.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Workforce Information and Performance-Annual Local Area Unemployment Statistics, Not seasonally adjusted.

The number of persons living in the County who were available for work and composed the County labor force numbered 31,979 in September 2018 and the total employment of this force was 30,334 resulting in an unemployment rate of 5.1% for this period. Certain comparative unemployment rates are given below for September, 2018.

Allegany County .....	5.1%
Garrett County .....	4.2
Washington County .....	4.2
Maryland .....	3.9
United States .....	3.9

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, "Civilian Labor Force, Employment and Unemployment by Place of Residence, September 2018".

#### BUSINESS AND INDUSTRIAL COMPOSITION

<u>Classification</u>	<u>Number of Firms</u>	<u>%</u>	<u>Quarterly Average Employment</u>	<u>%</u>
Finance, Insurance, Real Estate & Information .....	147	9.4	1,014	3.5
Transportation, Communication & Utilities (excl. railroads.) .....	372	23.8	5,090	17.7
Construction.....	119	7.6	829	2.8
Manufacturing & Mining .....	61	3.9	2,812	9.8
Service & Other .....	799	51.2	12,527	43.7
Local Government .....	43	2.7	2,922	10.2
Federal Government.....	26	1.6	474	1.6
State Government .....	<u>13</u>	<u>0.8</u>	<u>2,611</u>	<u>9.1</u>
Total.....	1,560	100.00	28,654	100.00

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information. "Employment and Payrolls First Quarter 2018."

#### Economic Growth and Development

Allegany County, located in the mountains of beautiful Western Maryland, is strategically located within an easy two-hour drive from three major metropolitan areas – Washington, DC and Baltimore to the east and Pittsburgh to the north. Interstate access and a large CSX rail presence, gives businesses ample entries to getting goods to customers and clients, quickly, efficiently and on time. Wireless and high-speed internet access can provide companies with the ability to reach customers anywhere in the world – anytime of the day or night.

Allegany County has a low cost of living and a strong work ethic, progressive business environment and a warm and friendly community. Locations boast stunning mountain scenery, 15 minute commutes, unlimited recreational opportunities, training, graduate and post-graduate education opportunities and real estate prices that defy convention.

Allegany County is home to two Federal HUBZones, one located in South Cumberland and the other in Frostburg. The HUBZones Empowerment Contracting Program provides Federal contracting preferences to small businesses that obtain HUBZone certification. Allegany County also has three Maryland Enterprise Zones located in Cumberland, Frostburg and Route 220 South, giving businesses several tax saving options. Businesses locating in a Maryland Enterprise Zone may be eligible for income tax credits and real property tax credits in return for job creation and investments made in the Zone.

Allegany County and its Department of Economic and Community Development are dedicated to job creation, business growth and industry diversification. With eight business parks, as well as individual buildings located strategically throughout the county, Allegany County is able to offer multiple choices for nearly all categories of businesses and industries. Allegany County continues to offer an excellent environment for businesses to start and to grow.

Listed below are representative 2018 employment figures of a number of larger employers in the County.

#### MAJOR COUNTY EMPLOYERS FOR 2018

<b>Employer</b>	<b>Product or Service</b>	<b>Employees</b>
Western Maryland Health Systems	Health Services	2,200
Allegany County Board of Education	Public School System	1,346
Frostburg State University	Higher Education, 4-Year Institution	1,065
ATK Tactical Systems	Military Ammunitions	1,050
Hunter Douglas	Window Coverings	965
New Page Corporation (VERSO)	Paper Mill	700
CSX Transportation	Railroad	635
Western Correctional Institution	Prison	588
North Branch Correctional Institution	Prison	574
Allegany College	High Education, 2-Year Institution	550

Source: Allegany County Finance Department and Department of Economic and Employment Development.

#### Education

Survey results of the number of high school students in Western Maryland and the state of Maryland as a whole who graduated in 2017, as a percentage of their ninth grade enrollment, four grades earlier, are presented below:

Allegany County .....	88.7%
Garrett County .....	92.3
Washington County .....	92.2
State of Maryland.....	87.6

Source: 2018 Maryland Report Card; 4-Year Adjusted Cohort - Maryland Department of Education.

## Income

The experience of per capita income growth in Allegany County, the State and the United States is shown in the following tables:

### ALLEGANY COUNTY, MARYLAND AND U.S. AVERAGE PER CAPITA INCOME

	<u><b>Allegany County</b></u>	<u><b>% Increase</b></u>	<u><b>State of Maryland</b></u>	<u><b>% Increase</b></u>	<u><b>United States</b></u>	<u><b>% Increase</b></u>
2016 .....	\$38,372	3.7%	\$58,052	3.2%	\$49,204	1.6%
2015 .....	36,991	2.9	56,249	4.0	48,429	4.5
2013 .....	34,621	0.9	52,666	-1.2	44,489	0.5
2012 .....	34,280	3.5	53,341	2.7	44,283	2.7

Source: U.S. Bureau of Economic Analysis, 2017.

Personal income levels for County residents have shown an increase as measured by the number of income tax returns with Adjusted Gross Income levels over \$50,000 filed with the Maryland Comptroller of the Treasury. Listed below is a comparison of the experience between 2012 and 2016 for the western Maryland counties and the State of Maryland.

	<u><b>2012 Number of Returns</b></u>	<u><b>2016 Number of Returns</b></u>	<u><b>Percentage Increase</b></u>
Allegany County .....	7,939	8,383	5.6%
Garrett County .....	3,802	4,080	7.3
Washington County .....	22,015	23,488	6.7
State of Maryland .....	1,131,164	1,237,204	9.3

Source: Comptroller of the Treasury, Revenue Administration Division, 2012 and 2016 Summary Reports.

## Construction Activity

Construction activity, as illustrated by the number of building permits issued and their estimated cost, is set forth in the following table which reflects building activity throughout the County.

### BUILDING PERMITS TAXABLE AND NON-TAXABLE PROPERTIES FOR THE FIVE MOST RECENT CALENDAR YEARS ENDED DECEMBER 31

	<u><b>2017 No. Permits Issued</b></u>	<u><b>Estimated Construction Costs</b></u>	<u><b>2016 No. Permits Issued</b></u>	<u><b>Estimated Construction Costs</b></u>	<u><b>2015 No. Permits Issued</b></u>	<u><b>Estimated Construction Costs</b></u>	<u><b>2014 No. Permits Issued</b></u>	<u><b>Estimated Construction Costs</b></u>	<u><b>2013 No. Permits Issued</b></u>	<u><b>Estimated Construction Costs</b></u>
Apartments	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 1,000,000
Residential	19	4,318,000	21	5,610,000	20	4,101,000	15	2,275,000	21	4,931,000
Comm. & Ind.	6	555,545	6	2,770,143	16	7,566,800	13	4,178,310	8	4,548,800
Other	216	1,890,490	178	1,501,960	179	2,593,175	236	3,116,134	261	4,531,862
<b>Total</b>	<b>241</b>	<b>\$6,764,035</b>	<b>205</b>	<b>\$ 9,882,103</b>	<b>215</b>	<b>\$14,260,975</b>	<b>264</b>	<b>\$ 9,569,444</b>	<b>291</b>	<b>\$15,011,662</b>

Source: County Planning & Zoning Department.

## Mining

Coal extraction in the State of Maryland comes from Allegany and Garrett Counties. Coal production increased rapidly during the 1970's. In 1978, recoverable reserves were estimated to be 351,100,100 tons for the George's Creek Basin, which lies in both Allegany and Garrett Counties. Starting in the 1980s, coal production in the region began to decline and has continued over the years largely due to the shift towards cleaner sources of energy such as natural gas, which is more abundant and cheaper than coal. A coal-fired power station, AES Warrior Run, is located in Allegany County and integrates with the local economy in several ways. The local coal mining industry benefits greatly from AES because it purchases locally mined coal used for plant operations.

	<u>Production (Tons)</u>				
	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2012</u>	<u>2016</u>
Strip Mine .....	633,185	1,024,294	1,347,898	985,219	617,298

Source: Maryland Bureau of Mines.

## Housing

Data relating to the distribution of housing in the County by type of structure are presented below.

	<u>2017</u>	
<u>Type of Structure</u>	<u>Number</u>	<u>%</u>
Single Family .....	24,808	75.4%
Multi-Family .....	8,109	24.6
Total .....	32,917	<u>100.0</u>

Single Family includes mobile homes and trailers.

Source: U. S. Census Bureau, 2017 American Community Survey 1-Year Estimates.

## LITIGATION

The County is the defendant in several lawsuits in which plaintiffs are seeking to recover amounts from the County as a result of alleged damages incurred by those plaintiffs. Although the outcome of these lawsuits and any other potential proceeding, lawsuit or claim that is pending or threatened are not presently determinable, it is the opinion of the County Attorney and County management that resolution of these matters will not have a material effect on the financial condition of the County. At this time, there are no known claims or judgments due within one year.

## COUNTY INVESTMENTS

The Director of Finance manages the investment of County funds. The funds are invested in accordance with the County's investment policy, which conforms to State of Maryland law on the investment of public funds. The County does not buy reverse repurchase agreements, borrow or lend securities and does not leverage its investment portfolio. The County invests primarily in repurchase agreements, fully collateralized certificates of deposit, U.S. Treasuries and Federal Agency obligations. All deposits are either covered by FDIC insurance or fully collateralized by U.S. obligations held by an independent third party custodian in the County's name.

## INDEPENDENT AUDITORS

The audited financial statements included in Appendix A have been examined by Turnbull Hoover & Kahl, P.A., independent certified public accountants for the County to the extent stated in the reports of such accountants appearing herein.

## SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at a competitive sale on December 14, 2018 in accordance with the official Notice of Sale (the form of which is attached hereto as Appendix C). The interest rates shown on the cover page of this Official Statement are the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices or yields shown on the cover of this Official Statement are based on information supplied to the County by the successful bidder. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the County.



## **FINANCIAL ADVISOR**

Davenport & Company LLC, Towson, Maryland, has served as Financial Advisor to the County for the issuance of the Bonds.

## **CONTINUING DISCLOSURE**

In order to enable participating Underwriters to comply with the requirements of paragraph (b)(5) of SEC Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Bonds. Pursuant to the Continuing Disclosure Agreement, among other things, the County will agree to provide to the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through an indenture trustee or a designated agent, (1) (A) annual financial information and operating data regarding (1) assessed values of taxable property in the County, general county tax rates and property tax levies and collections, (2) General Fund summary of revenues and expenditures, (3) Allegany County Sanitary Commission, Water Commission and LaVale Sanitary Commission statement of revenues, expenses and changes in retained earnings, and (4) statement of direct and contingent bonded debt issued and outstanding and (B) annual audited financial statements for the County, such information to be made available within 275 days after the end of the County’s fiscal year, commencing with the fiscal year ending June 30, 2019, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available; (2) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence with respect to the Bonds of any of the Reportable Events (described below); and (3) in a timely manner, notice of a failure by the County to provide the required annual financial information and operating data within the applicable time periods specified in clauses (1)(A) and (1)(B) above. Reportable Events shall be defined as (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bond holders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the County, (xiii) the consummation of a merger, consolidation or acquisition involving the County or sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relation to any such actions, other than pursuant to its terms, if material, (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material, (xv) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material, and (xvi) default, event of acceleration, termination, modification of terms, or other similar events under the terms of the financial obligation of the County, any of which reflect financial difficulties; for purposes of the foregoing, a “financial obligation” is defined to include the Bonds or any other debt obligation of the County, a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee of either of the foregoing. The definition of Reportable Events is intended to completely restate the events specified in SEC Rule 15c2-12(b)(5)(i)(C). It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

The County did not timely disclose information relating to a bond rating downgrade resulting from rating downgrade of a credit enhancer in connection with Allegany County Refunding Bonds of 2001 and with respect to certain other changes to the County’s credit rating. The County’s failure to comply with its disclosure obligations resulted from administrative error. The County has since improved its internal procedures regarding its continuing disclosure compliance. Due to the late completion of the Allegany County Board of Education (“BOE”) audit for fiscal year 2016, the County made a late filing of its consolidated annual audited financial statements; prior to the due date therefor, the County posted a Material Event Notice with respect thereto, accompanied by unaudited financial statements (less the BOE).

The County believes that, except as described in the foregoing paragraph, it has complied in all material respects with its previous continuing disclosure undertakings entered into pursuant to Rule 15c2-12.

The County reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of SEC Rule 15c2-12. The Continuing Disclosure Agreement will provide that the County may provide further or additional assurances that will become part of the County’s obligations under the Continuing Disclosure Agreement. In addition, the Continuing Disclosure Agreement may be amended by the County in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County

as the obligated person with respect to the Bonds, or type of business conducted; (ii) the Continuing Disclosure Agreement, as amended, would have complied with the requirements of SEC Rule 15c2-12(b)(5) at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of this rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined either by counsel selected by the County that is expert in federal securities law matters, or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of Bonds. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information. The Continuing Disclosure Agreement will also provide that all documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

The Continuing Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations thereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under the Continuing Disclosure Agreement, and the County shall be given fifteen (15) days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County must be filed in the Circuit Court of Allegany County, Maryland, and any party maintaining such suit or other proceeding shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Department of Finance for Allegany County, 701 Kelly Road, Suite 205, Cumberland, Maryland 21502-3401. The Continuing Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds; any breach or default by the County under the Continuing Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

The foregoing is a summary of certain provisions of the Continuing Disclosure Agreement. It is not a complete recital of the terms of the Continuing Disclosure Agreement, and reference should be made to the Continuing Disclosure Agreement for a complete statement of its terms.

#### **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds.

The execution of this Official Statement and its delivery have been approved by the County Commissioners of Allegany County.

**COUNTY COMMISSIONERS OF  
ALLEGANY COUNTY**

By

\_\_\_\_\_  
Jacob C. Shade  
President  
Board of County Commissioners

**ALLEGANY COUNTY, MARYLAND**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

**FOR THE FISCAL YEAR**  
**JULY 1, 2016 - JUNE 30, 2017**

Prepared by:  
The Allegany County Finance Office  
Jason M. Bennett, CPA, Director

# ALLEGANY COUNTY, MARYLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# **INTRODUCTORY SECTION**

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# ALLEGANY COUNTY, MARYLAND

## *Finance Office*

701 Kelly Road, Suite 205, Cumberland, Maryland 21502  
(301) 777-5916 FAX (301) 777-2072

[finance@allconet.org](mailto:finance@allconet.org)

[www.gov.allconet.org](http://www.gov.allconet.org)

### BOARD OF COMMISSIONERS

Jacob Shade, *President*  
Creade V. Brodie, Jr.  
William R. Valentine

Jason Bennett, CPA, *Director of Finance*

January 17, 2018

To the Board of County Commissioners and the  
Citizens of Allegany County, Maryland

The Comprehensive Annual Financial Report (CAFR) of Allegany County, Maryland for the fiscal year ending June 30, 2017, including the report of our independent Certified Public Accountants is presented herewith. This report has been prepared by the Allegany County Finance Department in accordance with Article 19 of the Annotated Code of the State of Maryland and with Part I, Chapter 26, Article 26-3 of the Allegany County code. This report is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of Allegany County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Allegany County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Turnbull, Hoover & Kahl, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Allegany County for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and

evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with 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 the County was part of a broader, federally mandated 'Single Audit' designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Allegany County's separately issued Single Audit Report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### **Profile of Allegany County**

Allegany County, located on the Potomac River in western Maryland, was established in 1789. It is bordered by Pennsylvania to the north and West Virginia to the south, and comprises an area of 428 square miles. Cumberland, the County seat, covering eight square miles, is at an elevation of 641 feet. Cumberland is situated approximately 100 miles southeast of Pittsburgh and 130 miles northwest of Baltimore and Washington, D.C. There are seven incorporated municipalities in the County: Barton, Cumberland, Frostburg, Lonaconing, Luke, Midland and Westernport.

The County is predominately rural in character. The 2000 census showed a population of 74,930; according to the 2010 Census, the population is 75,087 for the County. The County seat and principal city is Cumberland, with a 2010 population of 20,859.

Both the executive and legislative functions of the County are vested in the elected, three member Board of County Commissioners. Commissioners are elected on a county-wide basis and serve four-year terms. The Board elects one Commissioner to serve as its President. The Board is required to meet monthly.

In 1974, the County adopted the Code Home Rule form of government provided in Article XI-F of the Maryland Constitution and Article 25B of the Annotated Code of Maryland. Under this form of government, the Board has the authority to enact, amend, and repeal public local laws relating to the incorporation, organization, and government of the county, including, laws authorizing the issuance and sale of bonds to finance capital projects for the County. Each member of the board has one vote and, except for emergency bills, a simple majority of the Board is sufficient to enact any bill into law.

In 1996, the Commissioners adopted legislation making the County Administrator of Allegany County responsible to the Board and charged with the administration of all County affairs. The

Administrator will carry out the policies of the Board, direct and supervise the administration of all departments and agencies, and perform all duties enumerated in the Allegany County Code Chapter 2, Article 1.

County financial matters are administered through the Department of Finance of the County by the Director of Finance. The Director of Finance is charged with the administration of the financial affairs of the County, which generally include the receiving of County taxes, fees and other revenues and funds of every kind due to the County; the custody and safekeeping of all funds or securities belonging to or by law deposited with, distributed to, or handled by the County; the disbursement of County funds; the keeping and supervision of all accounts; and such other functions as may be prescribed by the Board.

## **BUDGET**

The formulation of the County's Budget is a joint responsibility between the Director of Finance, who also serves as Budget Officer, and the County Administrator. In addition to formulating the Budget, the Budget Officer is responsible for the submission to the Board of periodic reports on their efficiency and economy, and such other duties and functions as may be assigned by the Board.

The County Budget is comprised of the Operating Budget, which has current year appropriations for all funds, and the Capital Budget.

### **Operating Budget**

The Operating Budget, which must be balanced, is prepared by the County Administrator and the Director of Finance on a modified accrual basis and submitted for approval of the Board of County Commissioners. It is based upon estimated revenues and expenditures for operations for the ensuing fiscal year that is submitted to the Director of Finance by the department head of each office, Court, department, institution, board, commission, corporation or other agency of the County government. The current Operating Budget must contain the following information: (1) a schedule of all revenues estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a schedule of the debt service requirements for the ensuing fiscal year; (3) schedule of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Board of County Commissioners for the ensuing fiscal year for each function, activity, and sub activity; and (5) any other material which the Board of County Commissioners may deem advisable.

Variance reports of actual revenues and expenditures versus budgeted revenues and expenditures are prepared by the Director of Finance on a monthly basis. Additionally, individual offices, departments, boards, commissions, and other agencies of the County review on a monthly basis all events affecting their budgetary estimates and can request the Board for supplemental appropriations to increase their budgetary allowances. The Board in turn has the power to grant such increases.

## **Capital Budget**

The Capital Budget is prepared by the Capital Projects Engineer after approval by the Review Committee and then submitted for approval to the Board of County Commissioners. The Review Committee consists of the County Administrator, the Director of Public Works, the Director of Finance, the Director of Economic and Community Development, and the County Engineer. It is based on the need for having certain capital projects undertaken and the availability of financial resources. Each project is identified with estimated costs and estimated sources of funding. All funding requests are then applied to a debt affordability model to ascertain if the proposed debt is within the County's self-imposed debt guidelines.

## **Adoption of Budget**

Before the end of April in each year, the preliminary County Budget is publicly reviewed by the County Commissioners at an announced time and date. Opportunities are then available at the next several public meetings for citizens to express their views. After the public hearings, the Board of County Commissioners may revise the preliminary budget. Line item details of all individual departmental and agency requests and proposed appropriations are available. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Budget must be approved and signed by a majority of the Commissioners by June 30th.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Allegany County operates.

**Local economy:** Allegany County currently enjoys a favorable economic environment and local indicators point to continued stability. The unemployment rate dropped from June 30, 2016 at 6.4% to 5.8% for June 30, 2017. The region has diverse manufacturing and industrial base of paper manufacturing, rail transportation and the manufacturing of window coverings. A varied service provider base gives the area relative stability of the unemployment rate. Major service providers include health services, government, education, and call centers.

The state and federal government have a major economic presence with the operation of correctional facilities. The state also operates a 4-year higher education institution that serves the region offering a variety of undergraduate and graduate programs.

Allegany County has a total labor force of 32,471. The total labor force remains relatively unchanged which mirrors the population census of the county. Recent population projections have the county maintaining its current population which reverses decades of population loss.

**Long-term financial planning:** The County adopts a five year Capital Improvement Program each year as required by state law. During fiscal year 2017 the County issued \$9 million in new general obligation debt to fund a new EMS Communications project along with several other capital projects and incurred \$1,403,622 for water and sewer projects;

**Major initiatives:** As part of the 2015 Capital Improvement Program, the Commissioners approved funding for a new, approximately 800 seat Allegany High School to be constructed beginning in FY 2016, which will replace what is currently the oldest active high school building in the State of Maryland, with an estimated fall 2018 opening.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Allegany County for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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 that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I wish to acknowledge the support and interest of the Board of County Commissioners and the County Administrator in the recording and reporting of financial matters. It is of the utmost importance that the accounting functions have this support. I also want to express my appreciation to Pamela S Diaz, CPA, Assistant Director of Finance, and the entire staff of the Finance Office for their cooperation, dedication, and professionalism in the preparation of this report. In conclusion, I want to acknowledge the efforts of the many County employees that support the accounting function.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'J. Bennett', is written over a horizontal line.

Jason M. Bennett, CPA  
Director of Finance



Government Finance Officers Association

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

Presented to

**Allegany County  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

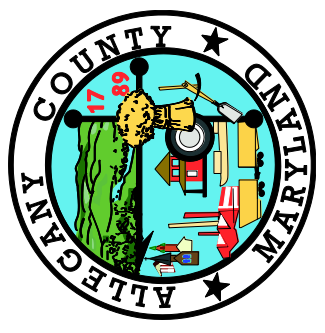
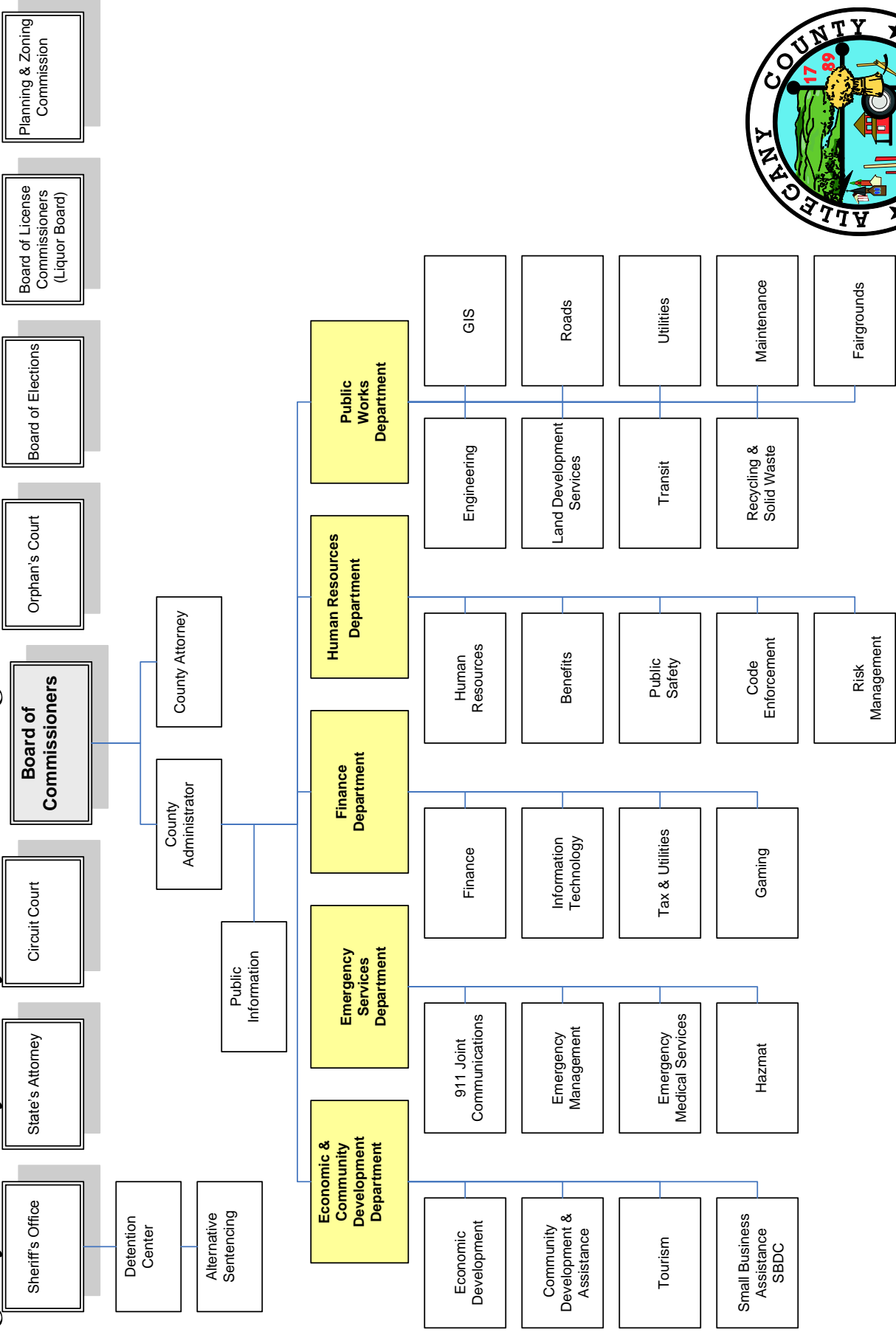
Allegany County, Maryland  
Summary of Certain Officials  
June 30, 2017

Board of Commissioners

Jacob Shade, President  
Creade V. Brodie Jr., Commissioner  
William R. Valentine, Commissioner

County Administrator	David A. Eberly
Clerk of the Board	David A. Eberly
Director of Finance	Jason M. Bennett, CPA
Director of Public Works	Paul F. Kahl, P.E.
Director of Economic & Community Development	Jeff Barclay
Director of Interagency Data Processing	Nilufer H. Grove
Director of Human Resources & Personnel Services	Brian P. Westfall
Sheriff	Craig A. Robertson
State's Attorney	Michael O. Twigg, Esquire
County Attorney	William M. Rudd, Esquire
Election Administrator	Diane L. Loibel

# Allegany County, Maryland 2017 Organization Chart





# **FINANCIAL SECTION**

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David W. Turnbull, CPA  
Richard J. Hoover, CPA  
Bernard B. Kahl, CPA



217 Glenn Street, Suite 200  
Cumberland, Maryland 21502  
Phone: 301.759.3270  
www.thkcpas.com

Board of Allegany County Commissioners  
County Office Complex  
701 Kelly Road  
Cumberland, Maryland

## **INDEPENDENT AUDITORS' REPORT**

### **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 Allegany County, Maryland (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Allegany County Board of Education and the Allegany County Library System, which represent 66 percent, 66 percent, and 79 percent, respectively, of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Allegany County Board of Education and the Allegany County Library System, is based solely on the reports of the other auditors. 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.

## **Opinions**

In our opinion, based on our audit and the reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, 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.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2017, Allegany County, Maryland adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-1 through B-10, the non-pension post employment benefit trust schedule of funding progress, schedule of changes in net pension liability, County's proportionate share of the net pension liability, and County's contributions on page D-3, schedule of changes in post retirement benefits liability, County's post retirement benefits contributions, and County's post retirement benefits investment returns on page D-4, notes to required supplementary information on page D-5, and the budgetary comparison information on pages D-6 through D-14 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 inquires 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 Allegany County, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, 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 and schedules 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 reports of the other auditors, the combining and individual nonmajor fund financial statements and schedules are 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 January 17, 2018, on our consideration of Allegany County, 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 Allegany County, Maryland's internal control over financial reporting and compliance.

 Tammie L. Hoover; Kahl, P.C.

Cumberland, Maryland  
January 17, 2018

## Management's Discussion and Analysis

As management of Allegany County, we offer readers of Allegany County's financial statements this narrative overview and analysis of the financial activities of Allegany County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at page ix of this report.

### Financial Highlights

- The assets of Allegany County exceeded its liabilities at the close of the most recent fiscal year by \$199.5 million (*net position*). Of this amount, \$184.7 million is net investment in capital assets and \$16.5 million is restricted for specific purposes (restricted net position). The County's total unrestricted net position is (\$1.7 million). This total unrestricted net position amount includes \$2.5 million from governmental activities, and unrestricted net position balance from business-type activities of (\$4.2 million).
- The government's total net position decreased by \$1.8 million or .9%, disregarding the restatement of beginning net position. The governmental net position increased \$2.6 million (or 2.6%). Business-type net assets decreased by \$ 879,653 (or .9%) during the year. Beginning net position for the governmental funds was restated by (\$ 2 million) largely due to recognizing LOSAP liability, see footnotes for detail.
- As of the close of the current fiscal year, Allegany County's governmental funds reported combined ending fund balances of \$53.3 million, an increase of \$ 4.6 million in comparison with the prior year. The increase was due largely to nearly \$ 3 million in unspent general obligation proceeds. Approximately 34% of the ending fund balance, \$18.3 million, *is available for spending* at the government's discretion (*unassigned fund balance*), \$1.2 million is nonspendable, \$16 million is restricted, \$9.7 million is committed to certain programs and \$8.2 million is assigned to specific programs.
- Allegany County's governmental activity outstanding debt increased by \$5.6 million (or 25.6%) during the current fiscal year. The County's business-type debt decreased by \$ .09 million (or 3.1%).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Allegany County's basic financial statements. Allegany County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Allegany County's finances, in a manner similar to private-sector business.

The *statement of net position* presents information of all of Allegany County's assets and liabilities, 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 Allegany 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 Allegany 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 government activities of Allegany County include general government, public safety, public works, social services, economic development, and payments to component units (the public school system, community college and library). The business-type activities of Allegany County include the Water Fund, Sewer Fund, Loan Fund and Allconet II.

The government-wide financial statements include not only Allegany County itself (known as the *primary government*), but also a legally separate public school system, community college, library system and a sewer district. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Detail financial information on the component units can be found on their separately issued financial statements.

The government-wide financial statements can be found on pages C5-C7 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. Allegany 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 Allegany 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 governments' 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 between *governmental funds* and *governmental activities*.

Allegany County maintains sixteen individual 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 the general fund, the revolving building fund, and the public improvement fund all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages C9-C20 of this report.

**Proprietary funds.** Allegany County has one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Allegany County uses enterprise funds to account for its water fund, sewer fund, loan fund, and the Allconet II fund

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 all of the enterprise funds, of which the water and sewer funds are considered to be major funds of Allegany County

The basic proprietary fund financial statements can be found on pages C15-C17 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 statement because the



resources of those funds are *not* available to support Allegany County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages C18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages C21-77 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Allegany County's progress in funding its obligation to provide pension benefits to certain groups of its employees

Also reported as *required supplementary information* are budgetary comparison schedules for the General Fund, the Revolving Building and the PIB Fund which are reported as major funds. Required supplementary information can be found on pages D4-14 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages E4-50 of this report.

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Allegany County, assets exceeded liabilities by \$199.5 million at the close of the most recent fiscal year.

By far the largest portion of Allegany County's net position (\$185 million) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Allegany County uses these capital assets to provide services to citizens consequently; these assets are *not* available for future spending. Although Allegany County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>ALLEGANY COUNTY'S NET POSITION</b>						
	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Assets:						
Current and other assets	\$ 65,023,534	\$ 63,038,792	\$ 160,948	\$ 2,310,656	\$ 65,184,482	\$ 65,349,448
Capital assets	<u>92,453,670</u>	<u>86,785,446</u>	<u>126,016,483</u>	<u>126,352,895</u>	<u>218,470,153</u>	<u>213,138,34</u>
Total assets	<u>157,477,204</u>	<u>149,824,238</u>	<u>126,177,431</u>	<u>128,663,551</u>	<u>283,654,635</u>	<u>278,487,789</u>
Deferred Outflows of Resources	<u>3,673,957</u>	<u>2,369,840</u>	<u>287,077</u>	<u>194,923</u>	<u>3,961,034</u>	<u>2,564,763</u>
Liabilities:						
Current and other liabilities	10,660,006	12,806,705	3,455,382	4,161,850	14,115,388	16,968,555
Long-term liabilities outstanding	<u>44,770,596</u>	<u>34,776,174</u>	<u>28,817,221</u>	<u>29,632,752</u>	<u>73,587,817</u>	<u>64,408,926</u>
Total liabilities	<u>55,430,602</u>	<u>47,582,879</u>	<u>32,272,602</u>	<u>33,794,601</u>	<u>87,703,204</u>	<u>81,377,481</u>
Deferred Inflows of Resources	<u>412,445</u>	<u>274,662</u>	<u>30,278</u>	<u>22,590</u>	<u>442,723</u>	<u>297,252</u>
Net position:						
Net investment in capital assets	86,497,352	84,396,712	98,160,878	97,611,312	184,658,230	182,008,024
Restricted	16,237,133	16,354,328	240,345	247,369	16,477,478	16,601,697
Unrestricted	<u>2,573,629</u>	<u>3,585,497</u>	<u>(4,239,595)</u>	<u>(2,817,398)</u>	<u>(1,665,966)</u>	<u>768,099</u>
Total net position	<u>\$ 105,308,114</u>	<u>\$ 104,336,537</u>	<u>\$ 94,161,628</u>	<u>\$ 95,041,283</u>	<u>\$ 199,469,742</u>	<u>\$ 199,377,820</u>

An additional portion of Allegany County's net position (8.9%) represents resources that are subject to external restrictions on how they may be used. The County has a negative *unrestricted net position* balance of (\$1.7 million). The *unrestricted net position* balance for the governmental activities was \$2.5 million and the business-type activities have a balance of (\$4.2 million).

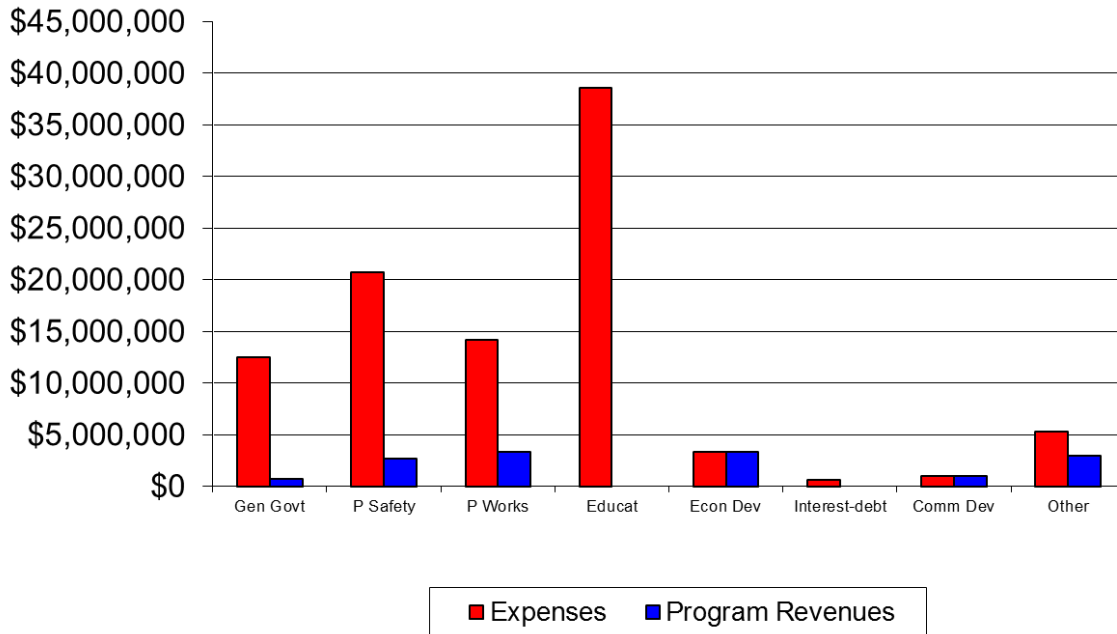
During the current fiscal year, the government's net position increased by \$1.8 million. Revenues increased by \$178,609 to \$113.8 million while expenses increased by \$3.8 million from the prior year to \$112 million.

<b>ALLEGANY COUNTY'S CHANGES IN NET POSITION</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,321,653	\$ 6,543,369	\$ 10,652,809	\$ 10,445,989	\$ 16,974,462	\$ 16,989,358
Operating grants and contributions	4,507,723	4,230,909	-	-	4,507,723	4,230,909
Capital grants and contributions	3,235,959	2,076,835	2,827,122	5,404,171	6,063,081	7,481,006
General revenues:						
Property taxes	40,900,084	40,285,516	993,937	982,268	41,894,021	41,267,784
Income taxes	25,911,041	26,836,166	-	-	25,911,041	26,836,166
Other local taxes	6,195,089	5,343,333	-	-	6,195,089	5,343,333
Franchise taxes	447,143	441,304	-	-	447,143	441,304
Grants and contributions not restricted to specific programs	9,205,270	9,210,566	-	-	9,205,270	9,210,566
Unrestricted fees	-	-	-	-	-	-
Unrestricted investment earnings	1,375,762	1,181,160	195,916	191,339	1,571,678	1,372,499
Gain on sale/retirement of capital assets	13,706	116,610	3,800	-	17,506	116,610
Miscellaneous	983,392	286,427	-	15,835	983,392	302,262
Total revenues	<u>99,096,822</u>	<u>96,552,195</u>	<u>14,673,584</u>	<u>17,039,602</u>	<u>113,770,406</u>	<u>113,591,797</u>
Expenses:						
General government	12,288,649	10,098,884	-	-	12,288,649	10,098,884
Payment to data processing	182,712	261,943	-	-	182,712	261,943
Public safety	20,723,459	20,125,044	-	-	20,723,459	20,125,044
Public works	14,148,806	13,263,932	-	-	14,148,806	13,263,932
Health	2,093,988	2,131,859	-	-	2,093,988	2,131,859
Social services	1,387,194	1,467,194	-	-	1,387,194	1,467,194
Education	797,321	1,279,342	-	-	797,321	1,279,342
Payment to public school system	30,169,985	30,123,877	-	-	30,169,985	30,123,877
Payment to community college	7,630,550	7,915,000	-	-	7,630,550	7,915,000
Recreation, culture & libraries	583,538	826,930	-	-	583,538	826,930
Payment to public library system	956,975	947,500	-	-	956,975	947,500
Conservation of natural resources	265,253	249,936	-	-	265,253	249,936
Community development & housing	1,026,337	1,176,904	-	-	1,026,337	1,176,904
Economic development	3,355,189	2,674,595	-	-	3,355,189	2,674,595
Interest on long-term debt	677,774	659,875	-	-	677,774	659,875
Water	-	-	4,723,474	4,772,141	4,723,474	4,772,141
Sewer	-	-	10,782,299	9,965,144	10,782,299	9,965,144
Nursing Home	-	-	-	-	-	-
Other proprietary funds	-	-	202,991	225,788	202,991	225,788
Total expenses	<u>96,287,730</u>	<u>93,202,815</u>	<u>15,708,764</u>	<u>14,963,073</u>	<u>111,996,494</u>	<u>108,165,888</u>
Increase in net position before transfers	2,809,092	3,349,380	(1,035,180)	2,076,529	1,773,912	5,425,909
Transfers	<u>(155,527)</u>	<u>(147,927)</u>	<u>155,527</u>	<u>147,927</u>	-	-
Increase (decrease) in net position	2,653,565	3,201,453	(879,653)	2,224,456	1,773,912	5,425,909
Net position, beginning, restated	<u>102,654,549</u>	<u>101,135,084</u>	<u>95,041,283</u>	<u>92,816,827</u>	<u>197,695,832</u>	<u>193,951,91</u>
Net position, ending	<u>\$ 105,308,114</u>	<u>\$ 104,336,537</u>	<u>\$ 94,161,630</u>	<u>\$ 95,041,283</u>	<u>\$ 199,469,744</u>	<u>\$ 199,377,820</u>

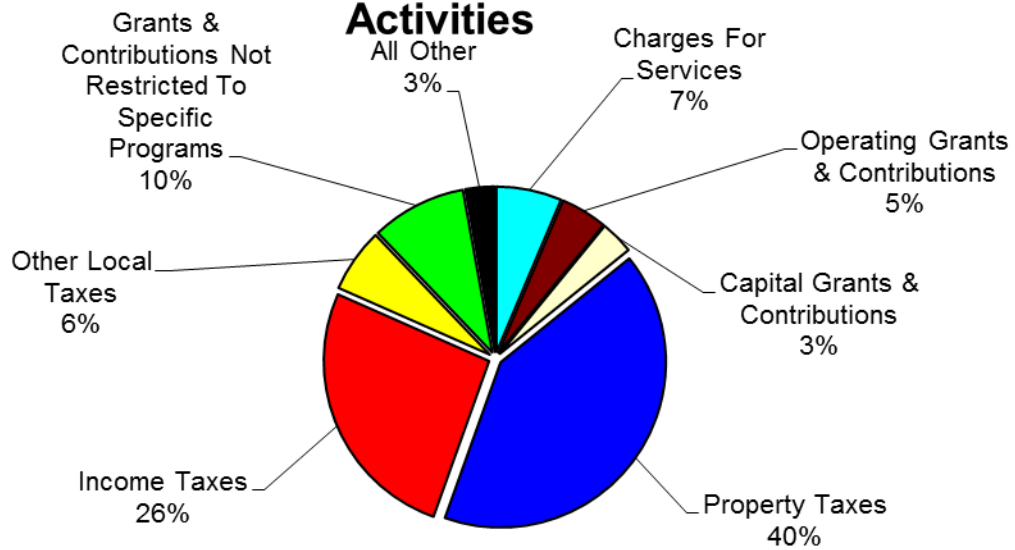
**Governmental activities.** Governmental activities increased Allegany County's net assets by \$2.6 million. Total revenues increased \$ 2.5 million (or 2.6%) and expenses increased \$ 3.1 million (or 3.2%). Key elements of the changes in governmental net assets are as follows:

- Increase in local taxes from FY 2016 to FY 2017 nearly \$ .8 million.
- Increase in grants from FY 2016 to FY 2017 of \$ 1.2 million.
- Economic development expenses increased \$ .7 million due to major road and paving enhancements.
- General government expenses increased \$ 2.2 million largely due to \$ 1.7 expenditures for local library repairs. Other increases include pension expense, health care costs, 2% raise for employees and election year additional workers.

## Expenses and Program Revenues - Governmental Activities

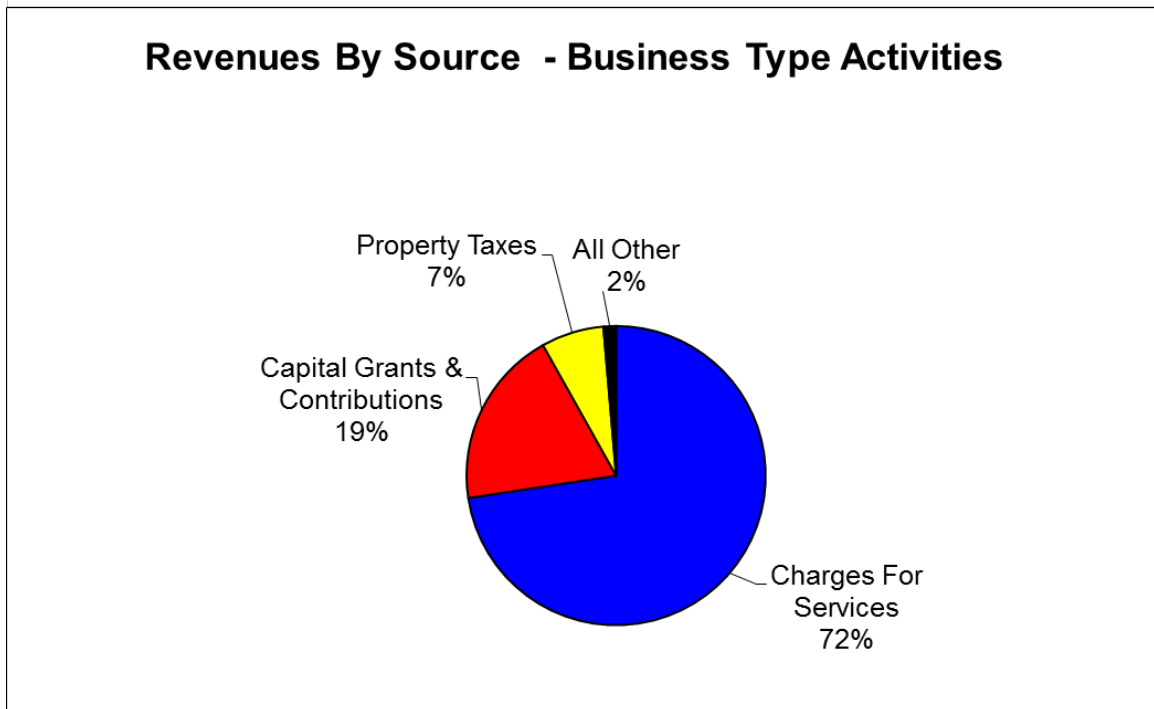
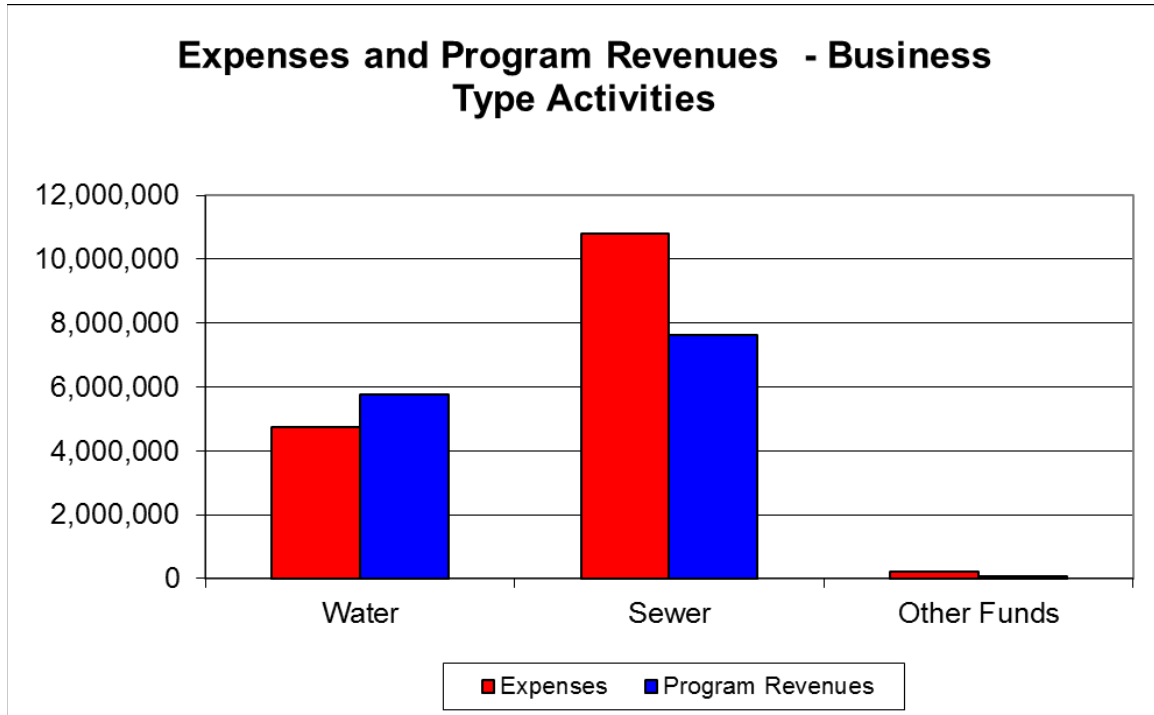


## Revenues By Source - Governmental Activities



**Business-type activities.** The net position of the County's business-type activities decreased by \$ 879,653 after transfers. Key elements of the increase were:

- Capital grants decreased \$ 2.6 million due to fewer major water/sewer projects.
- Overall expenses increased .7 million. Water and sewer costs combined increased \$ 770,000 due to increase in treatment costs and repairs and maintenance
- 



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Allegany County's governmental funds reported combined ending fund balance of \$53.3 million, an increase of \$ 4.6 million in comparison with the prior year. Approximately 34 percent of this total amount (\$18.2 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Other fund balance classifications are;

- Nonspendable – amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact - \$1.2 million
- Restricted – amounts restricted to specific purposes by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation - \$16 million.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's Board of Commissioners. - \$ 9.7 million.
- Assigned – amounts which are intended to be used for specific purposes as constrained by the action of the Board or by the Director of Finance - \$8.2 million.

The general fund is the chief operating fund of Allegany County. At the end of the current fiscal year, *unassigned fund balance* of the general fund was \$18.6 million, out of a total fund balance of \$26.9 million. As a measure of the general fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total fund expenditures. *Unassigned fund balance* represents 22.8 percent of total general fund expenditures, while total fund balance represents 32.9 percent of that same amount.

Key factors in the \$ 4.6 million increase in the governmental fund balances are:

The fund balance of Allegany County's general fund increased \$1.4 million; which was the result of:

- Departments kept spending at a minimum.

The PIB fund's (a major governmental fund) fund balance increased \$ 2.9 million. The increase was due to 2.9 million of the \$ 9 million general obligation loan that was still unspent at June 30.

**Proprietary funds.** Allegany County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position at year end and the change in net position during the current year are highlighted below:

	Water Districts	Sanitary Districts	Other Enterprise Funds	Totals
Net position:				
Net investment in capital assets	\$ 34,089,989	\$ 63,538,688	\$ 532,201	\$ 98,160,878
Restricted for debt service	-	240,345	-	240,345
Unrestricted	3,824,771	(9,504,477)	1,440,110	(4,239,595)
Total net position	<u>\$ 37,914,760</u>	<u>\$ 54,274,556</u>	<u>\$ 1,972,311</u>	<u>\$ 94,161,628</u>
Change in net position during the year, increase (decrease)	<u>\$ 1,152,428</u>	<u>\$ (1,930,984)</u>	<u>\$ (101,098)</u>	<u>\$ (879,653)</u>

Other factors concerning the finances of these three funds have already been addressed in the discussion of Allegany County's business-type activities.

## **General Fund Budgetary Highlights**

During the year, the original budget increased \$ 1.8 million (includes other sources and uses) to a revised total of \$88 million, which was the final amended budget. Significant changes between the original budget and the final amended budget are summarized as follows:

- Unexpended fund balance was used for \$1.4 million in order to increase for \$ 1 million worth of public safety radio equipment and \$ .4 million for increase in health insurance costs and other costs.
- Budget was increased \$ 499,000 for increase in grant revenue and taxes, which was used to pay for employee vacation buy-back program and workers compensation claims as well as grant costs.

Actual revenues exceeded budgeted revenues estimates by \$ 1.2 million and actual expenditures were less than budgetary estimates by \$ 1.3 million.

- Budgeted income taxes exceeded actual by \$ .7 million The decrease was largely due to a decrease in income tax revenue that was not anticipated.
- Almost all operating departments finished well within budget and overall personnel cuts were made across departments. In particular, the highway department was able to underspend their budget by \$ 470,000

## **Capital Asset and Debt Administration**

**Capital assets.** Allegany County's investment in capital assets for its governmental and business type activities as of June 30, 2017 was \$218 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, furniture and fixtures, equipment, vehicles, heavy equipment and other miscellaneous assets. The total increase in Allegany County's investment in capital assets for the current fiscal year was 1.4 percent (a 6 percent increase for governmental activities and a 2 percent decrease for business-type activities).

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

- Increase in governmental activities largely due to purchase of land in the amount of 2.6 million and purchase of new 911 radio system for 6.2 million

Additional information on Allegany County's capital assets can be found in the notes to the financial statements, note 8 on pages C-45 through C-46 of this report.

**Long-term debt.** At the end of the current fiscal year, Allegany County had total debt outstanding of \$55.4 million. Governmental activities debt consists of \$26.3 million in general obligation bonds including premium and \$1.2 million of debt incurred with creditors for which the full faith and credit of the County has also been pledged. The \$27.9 million of debt for the business-type activities (revenue bonds) is either paid from revenues restricted for that purpose or by user fees.

ALLEGANY COUNTY'S OUTSTANDING DEBT  
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation	\$ 25,536,021	\$ 19,615,574	\$ -	\$ -	\$ 25,536,021	\$ 19,615,574
Notes	203,466	205,808	-	-	203,466	205,808
Capital leases	-	-	-	-	-	-
State loans	994,296	1,237,421	12,025,418	12,762,659	13,019,714	14,000,080
Federal loans	-	-	15,550,052	15,677,413	15,550,052	15,677,413
Other loans	-	-	280,136	301,516	280,136	301,516
Premium on Bonds	807,345	871,781	-	-	807,345	871,781
Total	<u>\$ 27,541,128</u>	<u>\$ 21,930,584</u>	<u>\$ 27,855,606</u>	<u>\$ 28,741,588</u>	<u>\$ 55,396,734</u>	<u>\$ 50,672,172</u>

Allegany County issued \$ 9,000,000 in general obligation debt during the fiscal year and retired \$ 3.4 million in total during the current fiscal year as debt outstanding increased 5.6 percent.

Revenue debt in the amount of \$ 294,931 was incurred for the sewer districts and new debt for the water districts included \$300,000. Business type debt retired during the year was \$1.5 million.

In March, 2013, Allegany County's rating from Moody's upgraded from "A1" rating to "Aa3". In March of 2013 of Standard & Poor's raised the County's "A" bond rating to "A+", one of the few upgrades nationally for a governmental entity.

Additional information on Allegany County's long-term debt can be found in note 11 on pages C-51 through C-55 of this report.

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

- The unemployment rate for June 2017 for Allegany County was 5.8 percent, which decreased from 6.4 percent when compared to June 2016.

All of these factors were considered in preparing Allegany County's budget for the 2018 fiscal year.

During the current fiscal year, spendable fund balance in the general fund decreased to \$18.6 million. The use of the unexpended and available fund balance reduced the amount of tax, service charges and fee increases necessary to have a balanced budget for the 2018 fiscal year

#### **Requests for Information**

This financial report is designed to provide a general overview of Allegany County'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 Allegany County Finance Director, 701 Kelly Road, Suite 205, Cumberland, Maryland 21502 or e-mail at [finance@allconet.org](mailto:finance@allconet.org).

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# **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT WIDE  
FINANCIAL  
STATEMENTS**

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**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Board of Education	Allegany College of Maryland	Allegany County Library	LaVale Sanitary Commission
<b>ASSETS:</b>							
Current Assets:							
Cash	\$ 24,176,646	\$ 301,771	\$ 24,478,417	\$ 20,880,556	\$ 10,972,251	\$ 321,878	\$ 1,414,188
Investments	11,530,889	414,342	11,945,231	-	202,968	577,799	-
Property taxes receivable	4,534,336	-	4,534,336	-	-	-	-
Receivables:							
Accounts	-	2,903,411	2,903,411	16,224,341	318,817	316,406	305,304
Other	7,968,989	1,319,072	9,288,061	450	348,431	-	348,209
Internal balances	5,299,280	(5,299,280)	-	-	-	-	-
Inventory	42,233	81,565	123,798	217,473	321,278	-	217,308
Prepaid expenses	-	-	-	-	38,252	7,804	32,092
Deferred charges	-	-	-	-	-	-	-
Miscellaneous	185,672	-	185,672	-	-	-	-
Restricted Assets:							
Cash	18,787	199,722	218,509	-	69,384	-	344,966
Investments	10,476,008	-	10,476,008	-	13,238,287	-	-
Taxes - receivable	-	126,445	126,445	-	-	-	-
Receivables	-	113,900	113,900	-	-	-	-
Total current assets	<u>64,232,840</u>	<u>160,948</u>	<u>64,393,788</u>	<u>37,322,820</u>	<u>25,509,668</u>	<u>1,223,887</u>	<u>2,662,067</u>
Non-current Assets:							
Long term Investment, Market	-	-	-	-	1,267,821	-	-
Other investments	-	-	-	-	699,277	-	216,851
OPEB Net Asset	790,694	-	790,694	-	-	-	-
Pension Net Asset	-	-	-	-	-	-	510,050
Land	25,584,437	192,532	25,776,969	4,208,336	1,564,352	-	234,830
Work In Progress	904,597	7,801,001	8,705,598	27,478,069	345,245	-	432,712
Other non-depreciable assets	-	-	-	86,522	135,866	-	-
Capital assets subject to depreciation/amortization	151,010,601	190,112,479	341,123,080	188,992,332	57,298,554	9,345,037	29,511,319
Accumulated depreciation	(85,045,965)	(72,089,529)	(157,135,494)	(117,770,147)	(33,107,201)	(4,696,284)	(13,236,690)
Total non-current assets	<u>93,244,364</u>	<u>126,016,483</u>	<u>219,260,847</u>	<u>102,995,112</u>	<u>28,203,914</u>	<u>4,648,753</u>	<u>17,669,072</u>
<b>Total Assets</b>	<u>157,477,204</u>	<u>126,177,431</u>	<u>283,654,635</u>	<u>140,317,932</u>	<u>53,713,582</u>	<u>5,872,640</u>	<u>20,331,139</u>
<b>Deferred Outflows of Resources</b>							
Deferred Outflows for Pensions	3,673,957	287,077	3,961,034	1,993,261	217,384	26,469	267,664
<b>Total Def Outflows of Resources</b>	<u>3,673,957</u>	<u>287,077</u>	<u>3,961,034</u>	<u>1,993,261</u>	<u>217,384</u>	<u>26,469</u>	<u>267,664</u>
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts payable	3,060,042	1,396,338	4,456,380	5,690,291	494,435	317,558	311,613
Accrued wages payable	374,692	29,384	404,076	860,717	669,321	19,262	-
Accrued fringe benefits payable	179,110	13,231	192,341	-	212,895	-	-
Accrued interest	317,909	87,799	405,708	-	-	-	24,113
Current portion of long-term debt:							
Bonds and loans	2,280,105	1,481,822	3,761,927	-	33,259	-	179,287
Capital leases	-	-	-	143,115	68,917	-	-
Compensated absences	1,161,670	163,985	1,325,655	162,587	191,185	-	-
Due to Agency Fund	231,269	-	231,269	-	-	-	-
Due to Trust Fund	800,854	-	800,854	-	-	-	-
OPEB Liability	-	-	-	-	-	-	271,671
Unearned Revenue	536,950	-	536,950	2,455,260	361,346	-	-
Accrued health claims	-	-	-	3,397,010	313,094	-	-
Miscellaneous liabilities	1,717,405	282,823	2,000,228	1,593,265	321,575	-	-
Total current liabilities	<u>10,660,006</u>	<u>3,455,382</u>	<u>14,115,388</u>	<u>14,302,245</u>	<u>2,666,027</u>	<u>336,820</u>	<u>786,684</u>
Non-current liabilities:							
Cash advance due general fund	(1,200,000)	1,200,000	-	-	-	-	-
Bonds and loans	25,261,023	26,093,647	51,354,670	-	-	-	4,528,643
Capital leases	-	-	-	247,798	263,784	-	-
Annuity payment liability	-	-	-	-	29,662	-	-
Termination benefits	-	-	-	-	508,692	-	-
Net pension liability	17,129,043	1,211,724	18,340,767	6,932,618	908,494	92,970	-
Post-employment benefits	-	-	-	-	-	87,710	-
Compensated absences	3,580,530	311,850	3,892,380	2,302,066	-	65,582	-
Total non-current liabilities	<u>44,770,596</u>	<u>28,817,221</u>	<u>73,587,817</u>	<u>9,482,482</u>	<u>1,710,632</u>	<u>246,262</u>	<u>4,528,643</u>
<b>Total Liabilities</b>	<u>55,430,602</u>	<u>32,272,602</u>	<u>87,703,204</u>	<u>23,784,727</u>	<u>4,376,659</u>	<u>583,082</u>	<u>5,315,327</u>
<b>Deferred Inflows of Resources</b>							
Deferred Inflows for Pensions	412,445	30,278	442,723	498,587	23,104	6,501	120,991
<b>Total Def Inflows of Resources</b>	<u>412,445</u>	<u>30,278</u>	<u>442,723</u>	<u>498,587</u>	<u>23,104</u>	<u>6,501</u>	<u>120,991</u>
<b>NET POSITION</b>							
Net investment in Capital Assets	86,497,352	98,160,878	184,658,230	102,517,677	25,904,115	4,648,753	12,234,241
Restricted for:							
Public safety	1,236,052	-	1,236,052	-	-	-	-
Highways	269,189	-	269,189	-	-	-	-
Education	150,543	-	150,543	-	-	-	-
Community development & housing	53,151	-	53,151	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital projects	14,528,198	-	14,528,198	12,348,067	2,495	-	-
Other purposes	-	240,345	240,345	217,473	14,934,303	503,312	548,403
Unrestricted	\$ 2,573,629	\$ (4,239,595)	\$ (1,665,966)	\$ 2,944,662	\$ 8,690,290	\$ 157,462	\$ 2,379,841
<b>Total Net Position</b>	<u>105,308,114</u>	<u>94,161,628</u>	<u>199,469,742</u>	<u>118,027,879</u>	<u>49,531,203</u>	<u>5,309,527</u>	<u>15,162,485</u>

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

**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses		Expenses		Program Revenues		
	Before	Indirect	After	Charges for	Operating	Capital	
	Indirect Expense	Expense	Indirect Expense		Grants and	Grants and	
	Allocation	Allocation	Allocation	Services	Contributions	Contributions	
<b>Primary government::</b>							
Governmental activities:							
General government:	\$ 12,867,195	\$ (578,546)	\$ 12,288,649	\$ 369,971	\$ 406,259	\$ -	
Payment to data processing	182,712	-	182,712	-	-	-	
Public safety	20,723,459	-	20,723,459	1,181,723	1,128,910	356,894	
Public works	14,148,806	-	14,148,806	1,020,139	1,649,085	656,440	
Health	2,093,988	-	2,093,988	-	16,006	-	
Social services	1,387,194	-	1,387,194	23,472	139,027	-	
Education:	797,321	-	797,321	-	-	-	
Payment to public school system	30,169,985	-	30,169,985	-	-	-	
Payment to community college	7,630,550	-	7,630,550	-	-	-	
Recreation, culture & libraries:	583,538	-	583,538	410,494	98,997	2,222,625	
Payment to public library system	956,975	-	956,975	-	-	-	
Conservation of natural resources	265,253	-	265,253	14,743	29,896	-	
Community development and		-					
housing	1,026,337	-	1,026,337	678	980,407	-	
Economic development	3,355,189	-	3,355,189	3,300,433	59,136	-	
Interest on long term debt	677,774	-	677,774	-	-	-	
Total governmental activities	<u>96,866,276</u>	<u>(578,546)</u>	<u>96,287,730</u>	<u>6,321,653</u>	<u>4,507,723</u>	<u>3,235,959</u>	
Business-type activities:							
Water	4,553,534	169,940	4,723,474	4,197,525	-	1,569,907	
Sewer	10,373,693	408,606	10,782,299	6,382,842	-	1,257,215	
Other funds	202,991	-	202,991	72,442	-	-	
Total business-type activities	<u>15,130,218</u>	<u>578,546</u>	<u>15,708,764</u>	<u>10,652,809</u>	<u>-</u>	<u>2,827,122</u>	
Total primary government	<u>\$ 111,996,494</u>	<u>\$ -</u>	<u>\$ 111,996,494</u>	<u>\$ 16,974,462</u>	<u>\$ 4,507,723</u>	<u>\$ 6,063,081</u>	
<b>Component units:</b>							
Board of Education			\$ 132,234,248	\$ 1,586,317	\$ 21,071,389	\$ 27,332,657	
Allegany College of Md.			34,399,834	10,320,762	16,510,810	161,459	
County Library			2,134,050	231,907	106,203	1,751,560	
LaVale Sanitary Commission			6,002,272	4,598,977	-	1,009,854	
Total component units			<u>\$ 174,770,404</u>	<u>\$ 16,737,963</u>	<u>\$ 37,688,402</u>	<u>\$ 30,255,530</u>	

General revenues:

- Property taxes
- Income taxes
- Other local taxes
  - Casino Tax
  - Gaming Tax
  - Highway Users Tax
  - Hotel/Motel Tax
  - Recordation/Transfer
  - Admission/Amusement
  - Other Tax
- Appropriation from Allegany County
- Franchise tax
- Grants & contributions not restricted to specific programs
- Unrestricted investment earnings
- Gain on sale/retirement of capital assets
- Miscellaneous
- Transfers
  - Total general revenues, transfers and special items
  - Change in net position
  - Net position - beginning, as restated (Note 18)
  - Net position - ending

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

**ALLEGANY COUNTY, MARYLAND**  
**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	Board of Education	Allegany College of MD	County Library	LaVale Sanitary Commission
\$ (11,512,419)	\$ -	\$ (11,512,419)	\$ -	\$ -	\$ -	\$ -
(182,712)	-	(182,712)	-	-	-	-
(18,055,932)	-	(18,055,932)	-	-	-	-
(10,823,142)	-	(10,823,142)	-	-	-	-
(2,077,982)	-	(2,077,982)	-	-	-	-
(1,224,695)	-	(1,224,695)	-	-	-	-
(797,321)	-	(797,321)	-	-	-	-
(30,169,985)	-	(30,169,985)	-	-	-	-
(7,630,550)	-	(7,630,550)	-	-	-	-
2,148,578	-	2,148,578	-	-	-	-
(956,975)	-	(956,975)	-	-	-	-
(220,614)	-	(220,614)	-	-	-	-
(45,252)	-	(45,252)	-	-	-	-
4,380	-	4,380	-	-	-	-
(677,774)	-	(677,774)	-	-	-	-
(82,222,395)	-	(82,222,395)	-	-	-	-
-	1,043,958	1,043,958	-	-	-	-
-	(3,142,242)	(3,142,242)	-	-	-	-
-	(130,549)	(130,549)	-	-	-	-
-	(2,228,833)	(2,228,833)	-	-	-	-
(82,222,395)	(2,228,833)	(84,451,228)	-	-	-	-
-	-	-	(82,243,885)	-	-	-
-	-	-	-	(7,406,803)	-	-
-	-	-	-	-	(44,380)	-
-	-	-	-	-	-	(393,441)
-	-	-	(82,243,885)	(7,406,803)	(44,380)	(393,441)
40,900,084	993,937	41,894,021	-	-	-	269,266
25,911,041	-	25,911,041	-	-	-	392,613
-	-	-	-	-	-	-
1,650,813	-	1,650,813	-	-	-	-
388,940	-	388,940	-	-	-	-
539,372	-	539,372	-	-	-	-
1,092,324	-	1,092,324	-	-	-	-
2,155,436	-	2,155,436	-	-	-	-
234,175	-	234,175	-	-	-	-
134,029	-	134,029	-	-	-	-
-	-	-	30,169,985	7,630,550	956,975	-
447,143	-	447,143	-	-	-	-
9,205,270	-	9,205,270	78,368,746	-	792,274	-
1,375,762	195,916	1,571,678	26,618	1,505,253	14,532	10,066
13,706	3,800	17,506	-	-	-	-
983,392	-	983,392	221,851	-	28,168	1,245
(155,527)	155,527	-	-	-	-	-
84,875,960	1,349,180	86,225,140	108,787,200	9,135,803	1,791,949	673,190
2,653,565	(879,653)	1,773,912	26,543,315	1,729,000	1,747,569	279,749
102,654,549	95,041,283	197,695,832	91,484,564	47,802,203	3,561,958	14,882,736
-	-	-	-	-	-	-
\$ 105,308,114	\$ 94,161,630	\$ 199,469,744	\$ 118,027,879	\$ 49,531,203	\$ 5,309,527	\$ 15,162,485

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

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**FUND  
FINANCIAL  
STATEMENTS**

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**ALLEGANY COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

<b>ASSETS:</b>	General Fund	Revolving Building Fund	Public Improve Bond Fund	Other Governmental Funds	Total
Cash	\$ 24,175,496	\$ -		\$ 1,150	\$ 24,176,646
Cash -restricted	-	-		18,787	18,787
Investments	8,812,204	-		2,718,685	11,530,889
Investments-Restricted	1,882,328		8,593,680		10,476,008
Property tax receivable	4,658,336	-		-	4,658,336
Receivables					
Notes and loans	-	-		270,593	270,593
Other receivables	4,760,481	237,239	558,695	1,900,374	7,456,789
Due from other funds		8,608,817	5,682,761	2,576,717	16,868,295
Advances to other funds	1,200,000	-		-	1,200,000
Inventory	-	-		42,233	42,233
Prepays		-		-	-
Miscellaneous assets	185,672	-		-	185,672
Total Assets	\$ 45,674,517	\$ 8,846,056	14,835,136	\$ 7,528,539	\$ 76,884,248

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:**

Liabilities:

Accounts payable	\$ 1,244,833	\$ 459,520	73,378	\$ 1,282,311	\$ 3,060,042
Accrued payroll	350,714	4,269		19,709	374,692
Accrued payroll fringe	168,040	1,629		9,441	179,110
Due to other funds	11,168,036	-		1,433,102	12,601,138
Amounts held in escrow	1,212,138	-		320,597	1,532,735
Unearned Revenue	95,939	-		711,601	807,540
Miscellaneous liabilities	173,170	11,500		-	184,670
Total Liabilities	14,412,870	476,918	73,378	3,776,761	18,739,927

Deferred inflows of resources:

Unavailable Revenue	4,374,991	-	233,560	262,917	4,871,468
Total Deferred inflows of resources	4,374,991	-	233,560	262,917	4,871,468

Fund Balances:

Nonspendable	1,200,000	-		42,233	1,242,233
Restricted	173,170		14,528,198	1,224,475	15,925,843
Committed	967,195	8,369,138		331,029	9,667,362
Assigned	5,896,328			2,288,721	8,185,049
Unassigned	18,649,963	-		(397,597)	18,252,366
Total Fund Balances	26,886,656	8,369,138	14,528,198	3,488,861	53,272,853

Total Liabilities, deferred inflows of  
resources and fund balance

\$ 45,674,517	\$ 8,846,056	14,835,136	\$ 7,528,539
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Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	92,453,669
Other long -term assets are not available to pay current -period expenditures and are deferred in the funds.	1,822,260
Deferred Inflows of Resources	
Deferred Outflows for Pension benefits	3,673,955
Long-term debt, including compensated absences, is not due and payable in the current period and therefore is not reported in the funds.	(32,283,328)
Deferred Inflows for Pension benefits	(412,445)
Other long -term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(12,942,376)

Net position of governmental activities \$ 105,584,588

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

**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Revolving Building Fund	Public Improve Bond Fund	Other Governmental Funds	Total
<b>REVENUES:</b>					
Taxes:					
Property taxes	\$ 42,106,441	\$ -		\$ -	\$ 42,106,441
Income taxes	26,435,017	-		-	26,435,017
Other local taxes	4,460,624	-		458,858	4,919,482
Licenses and permits	672,859	-		-	672,859
Intergovernmental:					
Federal	631,945	-	356,894	1,641,547	2,630,386
State	10,651,994	-	296,951	5,174,753	16,123,698
Other	178,297	-			178,297
Service charges	1,521,333	-		417,589	1,938,922
Fines and forfeitures	32,181	-		48,726	80,907
Interest	231,817	-	61,055	19,989	312,861
Miscellaneous	823,758	3,327,500		190,810	4,342,068
Total Revenues	<u>87,746,266</u>	<u>3,327,500</u>	<u>714,900</u>	<u>7,952,272</u>	<u>99,740,938</u>
<b>EXPENDITURES:</b>					
Current:					
General government	9,145,648	-		155,538	9,301,186
Public safety	18,121,850	-		1,362,858	19,484,708
Public works	9,936,319	-		1,798,416	11,734,735
Health and Hospitals	425,494	-			425,494
Social Services	1,276,688	-		-	1,276,688
Education	-	-		-	-
Recreation, culture and libraries	795,045	-		-	795,045
Conservation of natural resources	263,677	-		-	263,677
Community Development and Housing	8,000	-		1,004,374	1,012,374
Economic development	1,007,375	949,585		-	1,956,960
Miscellaneous	44,631	-			44,631
Appropriation to other governments	1,495,989	-		-	1,495,989
Payments to component units	38,940,222	-		-	38,940,222
Debt Service:					
Principal	-	-		3,325,019	3,325,019
Interest	-	-		649,037	649,037
Capital Outlay:					
General government	-	-	102,461	2,489,054	2,591,515
Public safety	-	-	6,212,464	181,671	6,394,135
Public works	-	-	1,494,855	515,338	2,010,193
Education	-	-	200	300,983	301,183
Recreation, culture and libraries	-	-		101,335	101,335
Economic development	-	1,613,384		-	1,613,384
Miscellaneous	-	-		-	-
Payments to component units	-	-	-	496,168	496,168
Total Expenditures	<u>81,460,938</u>	<u>2,562,969</u>	<u>7,809,980</u>	<u>12,379,791</u>	<u>104,213,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,285,328</u>	<u>764,531</u>	<u>(7,095,080)</u>	<u>(4,427,519)</u>	<u>(4,472,740)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	21,375	-	1,000,000	5,413,985	6,435,360
Transfers out	(4,890,912)	(1,450,044)		(249,931)	(6,590,887)
Debt issued-Bond Proceeds	-	-	9,000,000		9,000,000
Sale of capital assets	13,706	-		-	13,706
Total Other Financing Sources and uses	<u>(4,855,831)</u>	<u>(1,450,044)</u>	<u>10,000,000</u>	<u>5,164,054</u>	<u>8,858,179</u>
Net change in fund balances	1,429,497	(685,513)	2,904,920	736,535	4,385,439
Fund balance, beginning, restated	25,457,159	9,054,651	11,623,278	2,752,326	48,887,414
Fund balance, ending	<u>\$ 26,886,656</u>	<u>\$ 8,369,138</u>	<u>\$ 14,528,198</u>	<u>\$ 3,488,861</u>	<u>\$ 53,272,853</u>

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

**ALLEGANY COUNTY, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the statement of activities (page C-6)  
are different because:

Net change in fund balances - total governmental funds (page C-12) \$ (4,385,439)

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$ 9,472,687	
Depreciation	<u>(3,804,463)</u>	5,668,224

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(876,580)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt proceeds	(9,000,000)	
Payment of principal	<u>3,325,019</u>	(5,674,981)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

2,818,560

Change in net position of governmental activities (pages C6-C7)

\$ (2,450,216)

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

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**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**June 30, 2017**

	Allegany County Water Districts	Allegany County Sanitary Districts	Other Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets:				
Cash:				
Cash	\$ -	\$ 301,771	\$ -	\$ 301,771
Cash - restricted	-	199,722	-	199,722
Investments	206,451	207,891	-	414,342
Receivables:				
Accounts (net)	1,271,259	1,590,280	41,872	2,903,411
Taxes - restricted	-	126,445	-	126,445
Accounts (net) - restricted	-	113,900	-	113,900
Other	1,475	1,234,344	83,253	1,319,072
Due from other funds	3,244,988	7,034,104	1,039,140	11,318,232
Prepaid expenses	-	-	-	-
Inventory	-	81,565	-	81,565
Total current assets	<u>4,724,173</u>	<u>10,890,022</u>	<u>1,164,265</u>	<u>16,778,460</u>
Non-current Assets:				
Other receivables	-	-	280,136	280,136
Land	125,250	67,282	-	192,532
Construction in Progress	1,579,470	6,221,531	-	7,801,001
Capital assets subject to depreciation	59,582,861	125,883,157	4,646,461	190,112,479
Accumulated depreciation	<u>(15,647,962)</u>	<u>(52,327,307)</u>	<u>(4,114,260)</u>	<u>(72,089,529)</u>
Total noncurrent assets	<u>45,639,619</u>	<u>79,844,663</u>	<u>812,337</u>	<u>126,296,619</u>
Total Assets	<u>50,363,792</u>	<u>90,734,685</u>	<u>1,976,602</u>	<u>143,075,079</u>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows Related to Pension	67,192	219,885	-	287,077
Total Deferred Outflows of Resources	<u>67,192</u>	<u>219,885</u>	<u>-</u>	<u>287,077</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	238,114	1,153,933	4,291	1,396,338
Accrued payroll	2,449	26,935	-	29,384
Accrued payroll fringe	960	12,271	-	13,231
Accrued interest	28,347	59,452	-	87,799
Current portion of long-term debt				
Revenue debt:				
Bonds and loans	260,106	1,221,716	-	1,481,822
Other loans	21,557	524	-	22,081
Compensated absences	-	163,985	-	163,985
Due to other funds	-	16,617,515	-	16,617,515
Miscellaneous liabilities	-	282,822	-	282,822
Total current liabilities	<u>551,533</u>	<u>19,539,153</u>	<u>4,291</u>	<u>20,094,977</u>
Noncurrent Liabilities:				
Cash advance due to General Fund	400,000	800,000	-	1,200,000
Long term debt:				
Net Pension Liability	290,110	921,614	-	1,211,724
Revenue debt:				
Bonds and loans	11,024,763	15,068,884	-	26,093,647
Other loans	243,204	14,851	-	258,055
Compensated absences	-	311,849	-	311,849
Total noncurrent liabilities	<u>11,958,077</u>	<u>17,117,198</u>	<u>-</u>	<u>29,075,275</u>
Total Liabilities	<u>12,509,610</u>	<u>36,656,351</u>	<u>4,291</u>	<u>49,170,252</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pension	6,615	23,663	-	30,278
Total Deferred Inflows of Resources	<u>6,615</u>	<u>23,663</u>	<u>-</u>	<u>30,278</u>
<b>NET POSITION</b>				
Net investment in capital assets	34,089,989	63,538,688	532,201	98,160,878
Restricted for debt service	-	240,345	-	240,345
Unrestricted	<u>3,824,771</u>	<u>(9,504,477)</u>	<u>1,440,110</u>	<u>(4,239,595)</u>
Total Net Position	<u>\$ 37,914,760</u>	<u>\$ 54,274,556</u>	<u>\$ 1,972,311</u>	<u>\$ 94,161,628</u>

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

**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Allegany County Water Districts	Allegany County Sanitary Districts	Other Enterprise Funds	Total
<b>OPERATING REVENUES:</b>				
Service charges	\$ 4,197,525	\$ 6,382,842	\$ 72,442	\$ 10,652,809
Federal Grant-ARC				-
Other Agency Revenue				-
Miscellaneous				-
Total Operating Revenues	<u>4,197,525</u>	<u>6,382,842</u>	<u>72,442</u>	<u>10,652,809</u>
<b>OPERATING EXPENSES:</b>				
Salaries	323,153	862,185	-	1,185,338
Employee benefits	182,270	456,427	-	638,697
Office expenses	617	93,425	11,473	105,515
Utilities	2,140,447	415,589	7,016	2,563,052
Repairs & maintenance	198,399	585,899	33,135	817,433
Contractual services	-	13,583	-	13,583
Treatment costs		4,476,118	-	4,476,118
Professional services	64,760	45,057	336	110,153
Materials and supplies	64,174	366,071	-	430,245
Insurance	-	130,212	1,102	131,314
Indirect cost	169,940	408,606	-	578,546
Miscellaneous		13,439		13,439
Depreciation	1,263,430	2,596,605	149,929	4,009,964
Total operating expenses	<u>4,407,190</u>	<u>10,463,217</u>	<u>202,991</u>	<u>15,073,397</u>
Operating Income (Loss)	<u>(209,665)</u>	<u>(4,080,375)</u>	<u>(130,549)</u>	<u>(4,420,588)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Real and personal property taxes	-	974,065	-	974,065
Interest & penalties on taxes	-	31,319	-	31,319
Discounts on taxes	-	(5,102)	-	(5,102)
Enterprise/industrial exemptions	-	-	-	-
Collection fees	-	(22,604)	-	(22,604)
Front footage assessments	-	16,255	-	16,255
Interest income	73,351	121,740	825	195,916
Interest income, debt service	-	-	-	-
Interest expense	(316,284)	(319,082)	-	(635,366)
Gain (Loss) on sale of capital assets	-	3,800	-	3,800
Total non-operating revenue (expenses)	<u>(242,933)</u>	<u>800,391</u>	<u>825</u>	<u>558,283</u>
Income (Loss) before contributions and transfers	<u>(452,598)</u>	<u>(3,279,984)</u>	<u>(129,724)</u>	<u>(3,862,305)</u>
Capital contributions:				
Federal grants	1,187,896	562,116		1,750,012
State grants	382,011	361,261	-	743,272
Other		333,838	-	333,838
Transfers:				
Transfers in	52,425	91,784	50,000	194,209
Transfers out	<u>(17,307)</u>	<u></u>	<u>(21,375)</u>	<u>(38,682)</u>
Change in net position	<u>1,152,427</u>	<u>(1,930,985)</u>	<u>(101,099)</u>	<u>(879,656)</u>
Total net position - beginning	36,762,333	56,205,541	2,073,410	95,041,284
Total net position - ending	<u>\$ 37,914,760</u>	<u>\$ 54,274,556</u>	<u>\$ 1,972,311</u>	<u>\$ 94,161,628</u>

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



**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Allegany County Water Districts	Allegany County Sanitary Districts	Other Enterprise Funds	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 4,105,387	\$ 6,312,679	\$ 26,613	\$ 10,444,679
Cash payments for goods and services	(2,634,452)	(7,238,379)	(54,205)	(9,927,036)
Cash payments to employees for services	(505,423)	(1,377,989)	-	(1,883,412)
Other operating revenues		-	-	-
Net cash provided (used) by operating activities	965,512	(2,303,689)	(27,592)	(1,365,769)
<b>Cash flows from noncapital financing activities:</b>				
Advances from other funds	6,463,119	34,783,093	103,335	41,349,547
Advances to other funds	(7,036,798)	(32,511,451)	(105,193)	(39,653,442)
Transfers from other funds	52,425	91,784	50,000	194,209
Transfers to other funds	(17,307)	-	(21,375)	(38,682)
Net cash provided (used) by noncapital financing activities	(538,561)	2,363,426	26,767	1,851,632
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from capital debt	300,000	294,931	-	594,931
Acquisition and construction of capital assets	(1,781,883)	(1,865,398)	-	(3,647,281)
Principal paid on capital debt	(272,042)	(1,208,866)	-	(1,480,908)
Interest paid on capital debt	(316,284)	(322,270)	-	(638,554)
Grant revenues	1,569,907	1,926,358	-	3,496,265
Debt fees	-	1,004,757	-	1,004,757
Net cash used for capital and related financing activities	(500,302)	(170,488)	-	(670,790)
<b>Cash flows from investing activities:</b>				
Purchase of investments		2,391	-	2,391
Sale of investments			-	-
Interest on investments	73,351	121,740	825	195,916
Net cash used in investing activities	73,351	124,131	825	198,307
Net increase (decrease) in cash	-	13,380	-	13,380
Cash at beginning of the year	-	488,113	-	488,113
Cash at end of year	\$ -	\$ 501,493	\$ -	\$ 501,493
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (209,665)	\$ (4,080,375)	\$ (130,549)	\$ (4,420,589)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,263,430	2,596,605	149,929	4,009,964
Provision for uncollectible accounts		-	-	-
Change in assets & liabilities:				
(Increase) decrease in receivables	(92,138)	(70,163)	(45,829)	(208,130)
(Increase) decrease in inventory	-	(3,609)	-	(3,609)
(Increase) decrease in prepaids	-	-	-	-
Increase (decrease) in acc'ts payable	18,540	(686,770)	(1,143)	(669,373)
Increase (decrease) in accrued payroll	(14,655)	(59,377)	-	(74,032)
Total adjustments	1,175,177	1,776,686	102,957	3,054,820
Net cash provided (used) by operating activities	\$ 965,512	\$ (2,303,689)	\$ (27,592)	\$ (1,365,769)

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

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**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	Health Insurance Trust Fund	OPEB Trust Fund	Total Health Ins and OPEB Funds	Agency Fund
<b>ASSETS:</b>				
Cash	\$ -	\$ 447,538	\$ 447,538	\$ -
Investments, at fair value				
Pooled Cash-MACO		2,214,735	2,214,735	
Certificates of Deposit	1,120,091		1,120,091	
Accounts receivable	1,844		1,844	1,065,875
Due from other funds	800,854		800,854	231,269
Prepaid Expenses	32,800		32,800	
Hospital deposit	277,600		277,600	
Total Assets	<u>2,233,189</u>	<u>2,662,273</u>	<u>4,895,462</u>	<u>1,297,144</u>
<b>LIABILITIES:</b>				
Health claim reserves	472,839		472,839	-
Other Liabilities	103,983		103,983	1,297,144
Total Liabilities	<u>576,822</u>	<u>-</u>	<u>576,822</u>	<u>1,297,144</u>
<b>NET POSITION:</b>				
Restricted for Health and OPEB	<u>\$ 1,656,367</u>	<u>\$ 2,662,273</u>	<u>\$ 4,318,640</u>	<u>\$ -</u>

**ALLEGANY COUNTY, MARYLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Health Insurance Trust Fund	OPEB Trust Fund	Total Health Ins and OPEB Funds
<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Employer contributions	\$ 7,327,901	\$ 1,162,096	\$ 8,489,997
Employee contributions	633,700		633,700
Plan Members		90,491	90,491
Subsidized equivalent premiums			-
Total contributions	<u>7,961,601</u>	<u>1,252,587</u>	<u>9,214,188</u>
<b>Other additions:</b>			
Interest	7,938		7,938
Investment activity	-	211,281	211,281
Less: Investment expense	-	(15,511)	(15,511)
Total other additions	<u>7,938</u>	<u>195,770</u>	<u>203,708</u>
Total additions	<u>7,969,539</u>	<u>1,448,357</u>	<u>9,417,896</u>
<b>DEDUCTIONS:</b>			
Benefits	6,871,118	1,235,135	8,106,253
Administrative expenses	721,188	17,453	738,641
Subsidized equivalent claims			-
Total deductions	<u>7,592,306</u>	<u>1,252,588</u>	<u>8,844,894</u>
Net increase in net position	377,233	195,769	573,002
Net position restricted - beginning	1,279,134	2,466,504	3,745,638
Net position restricted- ending	<u>\$ 1,656,367</u>	<u>\$ 2,662,273</u>	<u>\$ 4,318,640</u>

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

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**Notes**  
**to the**  
**Financial Statements**  
**June 30, 2017**

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**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies

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*A. Introduction*

Allegany County, Maryland (the County) was established in 1789. The County in 1974 adopted the Code Home Rule form of government provided in Article XI-F of the Maryland Constitution and Article 25B of the Annotated Code of Maryland. Under this form of government, the Board has the authority to enact, amend and repeal public local laws relating to the incorporation, organization and government of the county, including laws authorizing the issuance and sale of bonds to finance capital projects for the County. Each member of the Board has one vote and, except for emergency bills, a simple majority of the Board is sufficient to enact any bill into law.

In 1996, the Commissioners adopted legislation making the County Administrator the Chief Administrative Officer of Allegany County responsible to the Board and charged with the administration of all County affairs. The Administrator will carry out the policies of the Board, direct and supervise the administration of all departments and agencies and perform all duties enumerated in the Allegany County Code Chapter 2, Article 1.

The executive offices of the County are located at the County Office Complex, 701 Kelly Road, Cumberland, Maryland 21502. The County Commissioners' office telephone number is 301-777-5911. The County's website can be viewed at [www.allconet.org](http://www.allconet.org).

The financial statements of Allegany County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant County principles, policies and procedures are summarized in the following Notes to the Financial Statements.

*B. Reporting Entity*

The reporting entity includes Allegany County's departments and agencies (the primary government) and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from Allegany County.

As a result of its evaluation, the County has concluded that the following are component units of Allegany County and should be included in the reporting entity:

Blended Component Units – no external governmental units are blended in the combined financial statements.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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B. *Reporting Entity – continued*

Discretely Presented Component Units – the component unit columns of the government wide financial statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are legally separate from the County.

1. The Board of Education – operates the public school system. The Board of Education may not issue debt without the County's approval and the County provides a significant portion of the Board's funding. The members of the board are elected by the voters of Allegany County.
2. The Allegany County Library – operates the County's Library system. The Library System may not issue debt without the County's approval. The County provides a major portion of the Library's funding and appoints the members of the board.
3. The LaVale Sanitary Commission – provides water and waste treatment facilities for LaVale and surrounding areas. Allegany County has pledged its full faith and credit for the debt of the LaVale Sanitary Commission. The governing board is appointed by the County Commissioners. The County provides no operating subsidies to the LaVale Sanitary Commission.
4. Allegany College of Maryland – offers two years of higher education to area residents. The College is fiscally dependent on Allegany County which provides a significant portion of the funding for its operations and the College can not issue debt without the approval of the Allegany County Board of Commissioners. The College has elected to report its financial information in accordance with GASB 34 special-purpose government type using the business-type activity model.

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

**Administrative Offices:**

Allegany County Board of Education  
108 Washington Street  
Cumberland, Maryland 21502

LaVale Sanitary Commission  
1 Roselawn Avenue  
LaVale, Maryland 21502

Allegany County Library System  
31 Washington Street  
Cumberland, Maryland 21502

Allegany College  
12401 Willowbrook Road  
Cumberland, Maryland 21502



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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C. *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes or other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days of the year-end and a 90-day availability period is used for all other general fund revenues. Other major revenue sources subject to accrual are income taxes, federal and state grants and service charges. All other governmental funds use a 90 day availability period for revenue recognition. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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D. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued*

The following is a description of the governmental fund types of the County:

1. General fund – the general fund is used to account for and report all financial resources not accounted for and reported in another fund.
2. Special revenue funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
3. Capital projects funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. They exclude those types of capital-related outflows financed by proprietary funds or assets that will be held in trust.
4. Debt service funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government not accounted for and reported in another fund.

The Revolving Building Fund is used to report the activity associated with the construction, operation and maintenance of County buildings used to enhance its economic development activities. The majority of revenue is derived from operating leases.

The Public Improvement Bond Fund is used to report the activity associated with bond proceeds. FY 2017 activity includes expenditures for new high school.

The government reports the following major proprietary funds:

The Water Districts Fund accounts for the activities of twenty-one individual water districts in various unincorporated areas of the County.

The Sewer Fund reports the activities of sixteen individual sewer districts in various unincorporated areas of the County.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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D. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued*

Additionally, the government reports the following fund types:

The Agency Fund accounts for taxes billed and collected for the State of Maryland, four municipalities and seventeen special taxing districts.

The Health Insurance Trust Fund which accounts for the self-insurance activities which provides health insurance coverage for County's employees.

The OPEB Trust Fund accounts for the Allegany County Non-Pension Post-Employment Benefits Plan (ACBP), which provides medical benefits to eligible retired County employees and their beneficiaries.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are service charges. The water and sewer funds recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. *Assets, liabilities, Deferred Outflows/Inflows of Resources, and net position or equity*

1. Deposits and investments

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

Article 95, Section 22 of the Annotated Code of Maryland authorizes the County to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Local Government Investment Pool.

Investments for the County, as well as for its component units, are reported at fair value.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables of the enterprise funds are shown net of an allowance for uncollectibles. The allowance accounts for trade accounts receivable for the water and sewer funds are comprised of 50% of the balance six to nine months of age and 100% of account balances in excess of nine months. The allowance account for the loan fund is based on the analysis of individual accounts the expected ability to collect those accounts. The allowance for property taxes receivable is one-half of one percent of the annual levy and is based on historical trends.

2. Receivables and payables - continued

As of July 1, 1996, State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semiannual or annual payment schedule. The first installment for a semiannual payment or the annual payment is due by September 30, and the second installment of a semiannual schedule is due December 31, of the tax year without interest. Any unpaid installments after January 1 are charged interest of 1.5% monthly. Property owners electing to pay real property taxes semiannually may not have delinquent taxes on the property.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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The assessment of all real and personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation. Real property is valued at market value and is assessed at 100% of that value. The real estate assessment of 100% is the result of The Maryland Truth in Taxation Act, Chapter 80 of the Laws of Maryland of 2000 effective October 1, 2000. Prior to the law change, the assessment was 40% of the market value. Real property tax rates were adjusted to make the law revenue neutral. Tangible personal property is assessed at cost, less 10% depreciation for each year held, to a minimum of 25% of cost. The County granted tax differential rates to municipalities located within the County in accordance with Article 32A of the Annotated Code of Maryland which reduced the tax rates for owners of municipal property. The various tax rates for Allegany County for fiscal year 2017 are as follows:

	<u>Real</u>	<u>Personal Property</u>
Unincorporated	.9770	2.4425
Barton	.8935	2.2338
Cumberland	.8452	2.1129
Frostburg	.8530	2.1325
Lonaconing	.8696	2.1739
Luke	.8670	2.1675
Midland	.8935	2.2338
Westernport	.8935	2.2338

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

E. *Assets, liabilities, deferred outflows/inflows of resources and net position or equity - continued*

4. Restricted assets

Certain revenues of the County's sewer funds are set aside for their repayment of loans used to fund construction of sewer systems. They are classified as restricted assets on the balance sheet because they are limited by State law and debt covenants to the repayment of debt or construction.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (\$50,000 for infrastructure assets) and an estimated useful life of two years or more. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Sewer/Water Systems	30-50
Other infrastructure	30-40
Furniture & Fixtures	7-10
Vehicles	5-7
Equipment	5-10
Heavy equipment	7-10
Other capital assets	7-50

E. *Assets, liabilities, deferred outflows/inflows of resources and net positions or equity - continued*

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies - continued**

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A liability is accrued for certain future vacation, sick, and other leave benefits, provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the County or the employee.
- d. The amount can be reasonably estimated.

County employees earn vacation time depending upon their length of service and are eligible to use this time in the year in which it is earned. Vacation time may be carried from one year to the next, but may not exceed 200% of the annual accrual at any point in time. Vacation time earned when the 200% ceiling has been reached is accrued as sick time and remains as such. All vacation time outstanding and earned upon leaving County service is paid to the employee at the current salary level.

County employees earn fifteen sick leave days per year with no accumulation ceiling. It is the policy of the County to pay for up to 120 days, if earned, of sick leave accumulated, upon the retirement of most employees. Any reduction in the liability for compensated absences is charged to the fund and function where the employee's time was charged which historically has been the general fund or the transit fund for the governmental funds and the Sanitary Districts for the enterprise funds.

At June 30, 2017, compensated absence liabilities for Allegany County are summarized as follows:

	Current Portion	Long-term Portion	Total Liability
Total Governmental Fund Types	\$ 1,161,670	\$ 3,580,531	\$ 4,742,201
Sanitary Districts	163,985	311,850	475,835
	<u>\$ 1,325,655</u>	<u>\$ 3,892,381</u>	<u>\$ 5,218,036</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies - continued**

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**7. Long-term obligations:**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs incurred in connection with the issuance of debentures are expensed in the year the cost is incurred.

**8. 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 the fiduciary net position of the MD State Retirement plan and additions to/deductions from the retirement plan's fiduciary net position have been determined on the same basis as they were reported by the retirement plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**9. Government-wide and Proprietary Fund Net Position:**

Government-wide and proprietary fund net position are divided into three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through enabling legislation.
- Unrestricted net position – all other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**10. Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of federal or state laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal resolution by the Board of County Commissioners. Funds were committed in accordance with Resolution # 87-12 , # 11-16 and #13-23.
- Assigned – Amounts that are constrained by the Board of County Commissioners or the Director of Finance, authorized agreements via board motion, for a particular purpose.
- Unassigned – All amounts not included in other spendable classifications.



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies - continued

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The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

11. Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in government fund statements, amounts reported as restricted fund balances in governmental funds may be different from amounts reported as restricted net position in the statements of net position.

12. Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the County's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the County's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

13. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 11 for detail of deferred outflows and deferred inflows recorded in the entity-wide financial statements.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies - continued**

The governmental funds reports unavailable revenues from the following sources:

	General Fund	NonMajor PIB Fund	Governmental Funds	Total
Property taxes	4,233,967			4,233,967
Mass Transit Grant	-		262,917	262,917
State Highway Grant		233,560		233,560
Child Abuse Grant	8,620			8,620
Public Safety Grants	97,592			97,592
Refuse fees	11,250			11,250
EMS fees	19,311			19,311
Other	4,251	-		4,251
Total	4,374,991	233,560	262,917	4,871,468

**14 Implementation of New Accounting Principles**

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements No. 67 & 68*, Statement No. 74, *Financial Reporting for Post-Retirement Benefit Plans other than Pension Plans*, Statement No. 77 *Tax Abatement Disclosures* and Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, 68 and 73*. The County implemented these statements and has provided the required footnote disclosures. GASB Statement No. 73 had a material effect on the financial statements, See Note 21.

The GASB also issued Statement No. 75, *Accounting and Financial Reporting for Post-Retirement Benefit Plans other than Pension Plans*, which requires adoption in FY 18 and will have a material effect on the financial statements once implemented.

**Note 2. Reconciliation of Government -Wide and Fund Financial Statements**

A. Explanation of certain differences between the governmental fund balance sheet and the Government-wide statement of net position. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term debt, including compensated absences, is not due and payable in the current period and therefore is not reported in the funds.” The details of this \$32,283,328 are as follows:

Bonds payable (including premiums)	\$26,343,366
Notes payable	203,466
State loans	994,295
Compensated absences	<u>4,742,201</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$32,283,328</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

The details of this (\$ 5,668,224) difference are as follows:

Capital outlay	\$9,472,687
Depreciation expense	<u>(3,804,463)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$5,668,224</u>

Another element of that reconciliation states the “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this (\$ 0) difference is as follows:

In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	<u>0</u>
Net adjustment to decrease <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental act</i>	<u>0</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

The details of this \$ (5,674,981) difference are as follows:

Bond Proceeds	(9,000,000)
Principal repayments:	
Principal payments	<u>3,325,019</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>(\$5,674,981)</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 2,818,560 difference are as follows:

Compensated absences	(\$97,344)
OPEB Net Obligation	\$0
Pension Expense	\$2,944,641
Accrued interest adjustment, net	<u>(28,737)</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$2,818,560</u></u>

**Note 3. Stewardship, Compliance, and Accountability**

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**A. Budgetary Information**

Annual budgets are adopted for all General, Special Revenue, Debt Service and Capital Project Funds. All governmental fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred. Budgets are adopted for the Enterprise Funds, though not required, on a revenue and expenditure basis to permit monitoring of the financial activity. Budgets to actual comparisons are presented in this report for all the primary government’s major governmental fund types.

Budget-to-actual comparisons for the non-major governmental funds, though not required, are presented as supplementary information Budget-to-actual comparisons are not required for component units and the enterprise funds and are not presented.

The County uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 15, the County Administrator submits recommended budget guidelines to the Board of Commissioners for their approval.
2. After receiving approval of the budget guidelines, the County Administrator and the Director of Finance meet with the various departments and agencies to explain and distribute the guidelines.
3. The County Administrator and the Director of Finance compile all budget requests; after making departmental and agency review of the requests, a recommended budget is presented to the Board of County Commissioners for review and approval.
4. A public hearing is held to obtain public input and opinion of a preliminary budget.
5. Under Local Code Home Rule, the property tax rate must be set by June 30, and by that time, the budget is publicly adopted by the County Commissioners.
6. During the year supplemental appropriations shall be made by public approval of the Board of Commissioners. Supplemental appropriations in the governmental funds for fiscal year 2017 were increased by \$ 1,799,129 primarily due to increase in use of unexpended fund balance of 1.0 million to transfer for 911 radio console

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 3. Stewardship, Compliance, and Accountability - continued

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equipment and 250,000 for increase in health insurance costs, increase in grant revenue in the amount of \$ 366,000 and an increase in taxes in the amount of \$133,000 that was spent on workers comp claims and vacation buy-back.

7. During the year, budget amendments within a department are approved by the Director of Finance. Budget amendments between departments and/or funds require Commissioner public approval.
8. Legally, total expenditures for all individual governmental funds may not exceed the total budget for a particular fund except for emergencies, state-mandated programs, or by approval of a majority of the Board of Commissioners.
9. Appropriations lapse at the end of the fiscal year for all funds, except the Capital Project Funds, and certain federal grants that do not have a year-end date of June 30.
10. Budget monitoring is the responsibility of the Finance Department and the appropriate department head.

The County has elected not to employ the use of encumbrance accounting for financial reporting purposes. The County utilizes an encumbrance-based accounting system for internal reporting. However, these encumbrances lapse at year-end. Accordingly, the County does not prepare budgetary basis statements of revenues, expenditures and changes in fund balance.

**B.**

*Excess of Expenditures Over Appropriations*

For the year ended June 30, 2017, expenditures exceeded appropriations for the following funds (the legal level of budgetary control):

<b>Fund</b>	<b>Excess</b>
Block Grant Fund	23,967
Community Develop & Housing Fund	980,407
Gaming Fund	6,394
Coal Haul Funds	5,920
Sheriff Drug Task Force Fund	91,785
Rocky Gap Slots Revenue Fund	95,812
Pay Go Fund	763,702
PIB Fund	6,809,980

- The expenditures over budget in the Block Grant Fund were funded by revenues that were not budgeted and unreserved fund balance
- The Community Development & Housing Fund excess expenditures over budget were funded by grant revenues which were not budgeted due to grant approval at year end.
- The Gaming Fund excess expenditures over budget were funded with unexpended fund balance that was not budgeted.
- The Rocky Gap Slots Funds' excess expenditures over budget were funded by revenues not budgeted.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 3. Stewardship, Compliance and Accountability -continued**

- The Pay Go Fund and PIB Fund expenditures over budget were funded with unexpended fund balance and revenues and bond proceeds not budgeted.
- Coal Haul Roads and Sheriff Drug Force excess was funded with unexpended fund balance.
- 

**C. Deficit Fund Equity**

At June 30, 2017, one governmental funds, the Debt Service Fund had a deficit fund balance in the amount of (\$ 355,364).

**Note 4. Deposits and Investments**

***Allegany County Primary Government:***

As of June 30, 2017, the County had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity in Months			
		Less Than 1	1-6	6-12	Greater than 12
Statement of Net Position					
Group Annuity Fixed	\$ 1,882,328	\$ 1,882,328			
Certificates of Deposit	20,538,911	3,030,916	10,159,000	4,911,995	2,437,000
Total Stmt of Net Position	<u>\$22,421,239</u>	<u>\$ 4,913,244</u>	<u>\$ 10,159,000</u>	<u>\$4,911,995</u>	<u>\$2,437,000</u>
Health Insurance Trust CD	<u>\$ 1,120,091</u>	<u>\$ 7,091</u>	<u>\$ -</u>		<u>\$1,113,000</u>
OPEB MACO Trust	<u>\$ 2,214,735</u>	<u>\$ 2,214,735</u>	<u>\$ -</u>		

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy prohibits investments that mature more than 2 years from the date of purchase. However, the County may collateralize its repurchase agreements using longer dated investments. Reserve funds may be invested in securities exceeding 2 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

**Credit Risk -** The County investment policy and State law requires collateralization of 102% of fair value of investments. ARTICLE 95, Section 22 of the Annotated Code of Maryland authorizes the County to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Local Government Investment Pool. Allegany County is in compliance with its investment policy and State law having all deposits and investments

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 4. Deposits and Investments-continued

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(except for the group annuity fixed investment) collateralized at 102% of fair value with bonds or other obligations secured by the full faith and credit of the United States.

Concentration of Credit Risk - The County investment policy limits investments of the portfolio to 5% of Bankers Acceptances, 5% to money market mutual funds, and 5% to commercial paper. The County investment policy complies with Maryland state law limits.

Custodial Credit Risk. Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name

The County carries its investments at fair value. Investments consist mostly of nonparticipating contracts (nonnegotiable certificates of deposit) with maturities of less than one year.

The Group Annuity Fixed investment is uncollateralized in the amount of \$ 1,882,328.

The MACO Trust investment is an "Other Post-Employment Benefits" membership trust established to help local governments invest current funds toward future obligations for retiree health insurance, a.k.a. "other post-employment benefits." Both county and municipal governments, and other county-funded entities (like libraries and community colleges), are welcome to join the MACO OPEB Trust.

Investing through an entity like the MACO Pooled OPEB Trust offers governments an opportunity under state law to invest funds in a manner suitable for longer term assets, and outside the laws generally governing "public funds." The Trust arrangement ensures that the funds may not be extracted for purposes other than the intended benefits, making that distinction clear. The trust shall be invested consistent with Section 17-102 of the Local Government Article of the Annotated Code of Maryland, as amended from time to time.

Overall, the Trustees have adopted a fairly conservative mixed portfolio, with 65% in equities and 35% in fixed income investments. The target rate of return for the Trust is 7% annually, set generally in keeping with industry trends given in the diversified portfolio construction. Further information including audited financial statements is available at [www.mdcounties.org/index.aspx?nid=250](http://www.mdcounties.org/index.aspx?nid=250).

*Allegany County Discretely Presented Component Units:*

Allegany County Board of Education

Cash deposits – At year-end, the carrying amount of the Board's, not including its component units, deposits was \$20,880,556 and the bank balances were \$21,369,685. Of the bank balances, \$537,405 was covered by depository insurance; \$20,832,280 was covered by collateral held at various banks in the Board's name. Total market value of these pledged securities at June 30, 2017 was \$ 23,004,910.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 4. Deposits and Investments-continued**

Investments – All investment revenue is recorded in the fund that held the investment. Market values are not materially different from carrying values for these investments. Of the Board's investments, all was covered by federal depository insurance. As of June 30, 2017, the Board of Education had the following investments and maturities:

Investment Type	Investment Maturity (in months)				
	Total	Less than 1	1-6	6-12	More than 12
Certificates of Deposit	\$ 542,510	\$ -	\$ 58,537	\$ 103,473	\$ 380,500
	<u>\$ 542,510</u>	<u>\$ -</u>	<u>\$ 58,537</u>	<u>\$ 103,473</u>	<u>\$ 380,500</u>

**Allegany County Library System**

**Cash – Risks and Policies**

As of June 30, 2017, the carrying amount of the Library's deposits was \$321,878 and the bank balances were \$ 1,042,182.

Custodial credit risk for deposits is the risk that in the event of a bank failure the Library's deposits may not be returned of the Library will not recover collateral securities in the possession of an outside party. The Library's policy requires deposits with financial institutions to be fully secured by collateral. The Library's cash balances at financial institutions at June 30, 2017 are fully collateralized with securities held by the Library's agent in the Library's name.

**Investments – Risks and Policies**

As of June 30, 2017, the Library had the following investments and maturities:

Investment Type	Investment Maturity				Credit Rating
	Total	Less than 90 Days	90 Days to One Year	Over One Year	
U.S. Treasury Bonds	\$ 20,772	\$ -		\$ 20,722	N/A
Other Federal Government Obligations	328,810	-	-	328,810	N/A
Investment in MD Local Government Fund Pool	228,217	228,217	-	-	AAA
	<u>\$ 577,799</u>	<u>\$ 228,217</u>	<u>\$ -</u>	<u>\$ 349,532</u>	

***Allegany County Discretely Presented Component Units:***  
**Allegany County Library System (Continued)**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library investment policy specifies with the exception of U.S. Treasury securities and authorized pools, no more than 5% of Bankers acceptance, 5% of money market mutual funds and 5% to commercial paper.



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 4. Deposits and Investments - continued

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**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Library policy provides that to the extent practicable, investments are matched with anticipated cash flows. Unless matched to a specific cash flow, the Library will not directly invest in securities maturing more than one year from the date of purchase. Reserve funds may be invested in securities exceeding one year if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Library's investment in a single issuer. With the exception of U.S. Government securities and authorized pools, the Library may not invest in no more than 5% of Bankers Acceptance, 5% of money market mutual funds, and 5% of commercial paper. The Library's investment policy complies with Maryland State Law limits.

**Custodial Credit Risk** is the risk that, in the event of a failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Library policy provides that investment collateral is to be held by a third party custodian with whom the Library has a current custodial agreement in the Library's name. All of the Library's investments are collateralized with securities held by the Library's agent in the Library's name. The Library is in compliance with its investments policy and State law having all deposits and investments collateralized at 102% of market value with bonds and other obligations secured by the full faith and credit of the United States.

LaVale Sanitary Commission

Cash deposits – At year-end, the carrying amount of the LaVale Sanitary Commission's cash deposits was \$1,951,239 and the bank balance was \$ 2,071,330. Demand deposit funds are insured by FDIC and NCUA up to \$ 250,000 per institution. Government securities are pledged to secure the deposits in the repurchase investment account. These securities are part of a pool which is held in the bank's name. The commission held no investments at year end.

*Allegany County Discretely Presented Component Units - continued:*

Allegany College

Cash deposits – At year-end, the carrying amount of the Allegany College's, not including its component units, cash deposits was \$ 2,352,825 and the bank balance was \$2,535,906.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 4. Deposits and Investments - continued**

The bank balance was fully collateralized with securities held by the college's agent in the College's name.

Investments - As of June 30, 2017, the College had the following investments and maturities:

Investment Type	Total	Less Than 90 Days	90 Days To One Year
Certificates of deposit	\$ 202,968	\$ -	\$ 202,968
Maryland Local Government Investment Pool	8,525,620	8,525,620	-
	<u>\$ 8,728,588</u>	<u>\$ 8,525,620</u>	<u>\$ 202,968</u>

The College invests in the Maryland Local Government Investment Pool (MLGIP) which is administered by PNC Bank. The external investment pool is treated as a 2a-7pool. The MLGIP has a Standard and Poor's rating of AAAm and is administered by the State Treasurer. The MLGIP fund maintains a \$ 1.00 per share net asset value and is stated at cost, which is the same as fair value.

**Note 5: Fair Value Measurements**

Fair values of the County's assets measured on a recurring basis at June 30, 2017 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>				
Group Annuity Fixed	\$1,882,328	\$1,882,328	\$0	\$0
Certificate of Deposit	20,124,569	20,124,569		
Health Insurance Trust CD	1,120,091	\$1,120,091	\$0	\$0
OPEB MACO Trust (a)	<u>2,214,735</u>			
Total	<u>\$25,341,723</u>	<u>\$23,126,988</u>	<u>\$0</u>	<u>\$0</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 5: Fair Value Measurements (continued)

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- (a) In accordance with Subtopic 820-10 certain investments are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 as follows:

**Level 1** inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

**Level 2** inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017:

- Certificates of deposit are valued based on net asset value at year-end.
- Fixed income securities are valued at market quotations obtained from published sources.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 5: Fair Value Measurements (continued)**

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the year ended June 30, 2017, there were no significant transfers in or out of levels 1,2 or 3. Transfers between levels are recognized in the fair value hierarchy at the end of the reporting period.

**Note 6. Property Taxes Receivable**

Property taxes are levied each July 1 and due on or before September 30 of that year. Unpaid property taxes attach as an enforceable lien on the property as of October 1. Property tax assessments are performed by the State of Maryland on which the County bills and collects its property taxes.

Property tax receivable at June 30, 2017 was \$4,658,336 (before an allowance of \$124,000) of which 2,555,413 were current year's taxes receivable and the balance of \$2,102,923 was prior years' unpaid taxes.

**Note 7. Other Receivables**

Receivables, other than property taxes receivable and loans to the County's enterprise funds, as reported in the Statement of Net Position as of the year end for the County's individual governmental major funds, non-major funds and in the aggregate, consist of the following:

Governmental Activities:	General Fund	PIB Fund	RBF Fund	Non-major Governmental Funds	Total
Receivables:					
Interest	\$ 112,977		\$ -	\$ 32,391	\$ 145,368
Income taxes	2,899,344		-	-	2,899,344
Other taxes	175,823		-	28,825	204,648
Current:					
Accrued revenues	1,813,945	530,511	237,238	1,867,342	4,449,036
Loans, notes	-	-	-	-	-
Leases, capital	-	-	-	-	-
Long-term:					
Accrued revenues	-	-	-	-	-
Loans, notes	-	-	-	270,593	270,593
Leases, capital	-	-	-	-	-
Total receivables	\$ 5,002,089	\$ 530,511	\$ 237,238	\$ 2,199,151	\$ 7,968,989

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Other Receivables-continued**

Receivables as reported in the Statement of Net Position at year end for the County's individual enterprise major funds, non-major funds and in the aggregate, consist of the following:

Business-type Activities:	Water Districts	Sewer Districts	Non-Major Enterprise Funds	Total
Receivables:				
Interest			\$ -	\$ -
Accounts, other	-	1,222,628	41,872	1,264,500
Accounts, trade	1,468,766	1,835,797	27,175	3,331,738
Less allowance	(196,032)	(233,801)	-	(429,833)
Net accounts, trade	1,272,734	1,601,996	27,175	2,901,905
Accounts, restricted	-	240,345	-	240,345
Less allowance	-	-	-	-
Net accounts, restricted	-	240,345	-	240,345
Loans	-	-	406,078	406,078
Less allowance	-	-	(350,000)	(350,000)
Net loans	-	-	56,078	56,078
Total receivables	\$ 1,272,734	\$ 3,064,969	\$ 125,125	\$ 4,462,828

*Leases – Operating and Capital:*

The County, as part of its economic development efforts, has constructed numerous shell buildings which are or rented (operating leases) to various employers. The amount of future minimum non-cancelable operating lease payments due each of the next five years and beyond is as follows:

Fiscal Year	Operating Leases Minimum Payments
2018	3,269,696
2019	3,330,171
2020	3,238,427
2021	3,155,112
2022	2,340,324
Totals	\$ 15,333,730

The gross value of buildings with operating leases at June 30, 2017 is \$19,744,629 and the accumulated depreciation is \$ 8,222,971

**Unearned Revenue:**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Other Receivables-continued**

At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Unearned revenue recorded as a receivable which are not considered available to liquidate liabilities of the current period:	
Unearned grant revenue	\$ 441,008
Unearned ticket revenue\other	95,939
Long term housing loans receivable	270,593
	<u>\$ 807,540</u>

*Loans receivable:*

The following table summarizes the loan receivable balances in the County Loan Fund at June 30, 2017:

Entity	Source of funds	Balance June 30, 2017
County Loan Fund loans:		
Western Maryland Scenic Railroad	Gen Fund/PIB of 1988	\$ 250,000
YMCA	General Fund	100,000
Paving project	General Fund	13,200
Employee loan	General Fund	12,878
WebRestaurant Loan	RBF Fund	30,000
Allowance for doubtful accounts		(350,000)
Sub-total		\$ 56,078
Allconet II Fund loans:		
TWR loan	General Fund	27,175
Total		<u>\$ 83,253</u>

The County has established a Loan Fund to account for the long-term receivables due from other entities and the proprietary funds. Except for the payments received from fire companies, which is a revolving pool, the cash receipts are transferred to the General Fund, as they become available.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 8. Capital Assets**

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

<b>Primary Government:</b> Governmental activities:	Beginning Balance	Increases	Decreases	Transfers In (Out)	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 24,068,695	\$ 1,515,741	\$ -		\$ 25,584,436
Work in Progress	4,931,054	947,457	(4,973,910)		904,601
Total capital assets not being depreciated	28,999,749	2,463,198	(4,973,910)	-	26,489,037
Capital assets, being depreciated:					
Buildings	59,809,307	4,371,342			64,180,649
Infrastructure	49,673,813		-		49,673,813
Furniture & Fixtures	1,054,110		-		1,054,110
Equipment	12,170,128	6,801,215			18,971,343
Vehicles	10,846,149	412,778	(38,400)		11,220,527
Heavy Equipment	4,257,158	398,068			4,655,226
Other Capital Assets	1,254,935				1,254,935
Total capital assets, being depreciated:	139,065,600	11,983,403	(38,400)	-	151,010,601
Less accumulated depreciation for:					
Buildings	(26,055,301)	(1,654,011)		-	(27,709,312)
Infrastructure	(32,126,767)	(697,700)	-	-	(32,824,467)
Furniture & Fixtures	(880,204)	(44,170)	-	-	(924,374)
Equipment	(8,908,965)	(705,270)		-	(9,614,235)
Vehicles	(8,838,847)	(560,691)	38,400	-	(9,361,138)
Heavy Equipment	(3,801,467)	(89,581)			(3,891,048)
Other Capital Assets	(668,350)	(53,038)	-		(721,388)
Total accumulated depreciation	(81,279,901)	(3,804,461)	38,400	-	(85,045,962)
Total capital assets, being depreciated, net	57,785,699	8,178,942	-	-	65,964,639
Governmental activities capital assets, net	\$ 86,785,447	\$ 10,642,140	\$ (4,973,910)	\$ -	\$ 92,453,675

<b>Primary Government:</b> Business-type activities:	Beginning Balance	Increases	Decreases	Transfers In (Out)	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 192,532		\$ -	\$ -	\$ 192,532
Work in Progress	11,341,232	3,628,387	(7,168,618)		7,801,001
Total capital assets not being depreciated	11,533,764	3,628,387	(7,168,618)	-	7,993,533
Capital assets, being depreciated:					
Buildings	256,346		-		256,346
Infrastructure	170,463,812	7,074,873			177,538,685
Furniture & Fixtures	17,681	-	-	-	17,681
Equipment	6,447,836		-		6,447,837
Vehicles	1,364,809	138,937	(26,296)		1,477,450
Heavy Equipment	1,537,421		-		1,537,421
Other Capital Assets	2,837,063		-	-	2,837,063
Total capital assets, being depreciated:	182,924,968	7,213,810	(26,296)	-	190,112,482
Less accumulated depreciation for:					
Buildings	(173,800)	(7,367)	-	-	(181,167)
Infrastructure	(58,656,598)	(3,449,127)	-	-	(62,105,725)
Furniture & Fixtures	(17,680)	-	-	-	(17,680)
Equipment	(5,463,513)	(218,618)	-	-	(5,682,131)
Vehicles	(1,121,609)	(83,319)	26,296	-	(1,178,632)
Heavy Equipment	(768,747)	(124,886)	-	-	(893,633)
Other Capital Assets	(1,903,887)	(126,647)	-	-	(2,030,534)
Total accumulated depreciation	(68,105,834)	(4,009,964)	26,296	-	(72,089,529)
Total capital assets, being depreciated, net	114,819,134	3,203,846	0	-	118,022,953
Business-type activities capital assets, net	\$ 126,352,892	\$ 6,832,233	\$ (7,168,618)	\$ -	\$ 126,016,511

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 8. Capital Assets - continued

Depreciation expense was charged to functions/programs of the primary government, as reported in the statement of activities, for the year ended June 30, 2017 as follows:

<u>Governmental activities:</u>	
General government	\$ 172,650
Public safety	1,403,594
Public works	955,850
Health	218,440
Social services	111,672
Recreation, culture and libraries	146,784
Community development and housing	13,963
Economic development	781,507
Total depreciation expense - governmental activities	<u>\$ 3,804,460</u>
<u>Business type activities:</u>	
Water districts	\$ 1,263,430
Sewer districts	2,596,605
Allconet II	149,929
Total depreciation expense - governmental activities	<u>\$ 4,009,964</u>

*Construction Commitments*

The County has active construction projects as of June 30, 2017. The projects include industrial park infrastructure and water quality and service improvements. At year end the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Burbridge building	\$ 2,638,825	\$ 25,000
Frostburg Access Road	589,710	283,029
North Branch Paving	95,280	526,478
Creek Road Water Project	822,776	244,450
Sunnyside Water Project	507,380	828,309
Barton Park Shell Building	3,926,968	84,395
Totals	<u>8,580,939</u>	<u>1,991,661</u>

Funding for all projects is a combination of federal and/or state grants and a local share funded by long-term debt. Funding for the projects was in place prior to the commencement of construction.



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 8. Capital Assets - continued

*Discretely Presented Component Units:*

Capital asset activity for the Board of Education of Allegany County for the year ended June 30, 2017 (not including component units), was as follows:

<b>Board of Education</b> Governmental activities:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,208,336	\$ -		\$ 4,208,336
Work in process	7,055,220	21,071,465	(648,616)	27,478,069
Total capital assets not being depreciated:	11,263,556	21,071,465	(648,616)	31,686,405
Capital assets, being depreciated:				
Land Improvements	9,474,574	6,000		9,480,574
Buildings & Improvements	157,264,354	1,116,211	613,764	158,994,329
Furniture, Equipment & Vehicles	19,820,115	541,883	(328,515)	20,033,483
Total capital assets, being depreciated:	186,559,043	1,664,094	285,249	188,508,386
Less accumulated depreciation for:				
Land Improvements	(3,428,262)	(473,954)	-	(3,902,216)
Buildings & Improvements	(94,658,444)	(4,036,633)	4,254	(98,690,823)
Furniture, Equipment & Vehicles	(13,734,146)	(1,272,029)	279,503	(14,726,672)
Total accumulated depreciation	(111,820,852)	(5,782,616)	283,757	(117,319,711)
Total capital assets, being depreciated, net:	74,738,191	(4,118,522)	569,006	71,188,675
Governmental activities capital assets, net	\$ 86,001,747	\$ 16,952,943	\$ (79,610)	102,875,080

<b>Board of Education</b> Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Work in process	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:				
Furniture, Equipment & Vehicles	483,946	-		483,946
Less accumulated depreciation	(435,658)	(14,778)		(450,436)
Total capital assets, being depreciated, net:	48,288	(14,778)	-	33,510
Business-type activities capital assets, net	\$ 48,288	\$ (14,778)	\$ -	\$ 33,510

Capital asset activity for the Library of Allegany County for the year ended June 30, 2017 was as follow

<b>Library</b> Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Construction in Progress	\$ 114,961		\$ (114,961)	\$ -
Capital assets, being depreciated:				
Buildings & Improvements	\$ 3,763,563	\$ 2,041,406	\$ (906,194)	\$ 4,898,775
Furniture & Equipment	750,679	135,285	(40,631)	845,333
Vehicles/Bookmobile	64,698	-	-	64,698
Library Books	3,580,611	180,372	(224,753)	3,536,231
Total capital assets, being depreciated:	8,159,551	2,357,063	(1,171,578)	9,345,038
Less accumulated depreciation for:				
Buildings & Improvements	(1,569,522)	(57,147)	607,151	(1,019,518)
Furniture & Equipment	(563,415)	(39,967)	30,871	(572,511)
Vehicles/Bookmobile	(37,183)	(4,399)	-	(41,582)
Library Books	(3,091,908)	(195,520)	224,752	(3,062,676)
Total accumulated depreciation	(5,262,028)	(297,033)	862,774	(4,696,287)
Total capital assets, being depreciated, net:	\$ 2,897,523	\$ 2,060,030	\$ (308,804)	\$ 4,648,753
Governmental activities capital assets, net	\$ 3,012,484	\$ 2,060,030	\$ (423,765)	\$ 4,648,753

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 8. Capital Assets - continued

*Discretely Presented Component Units - continued:*

Capital asset activity for Allegany College of Maryland and its component units for the year ended June 30, 2017 were as follows:

<b>Allegany College of Maryland</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,564,352	# \$ -	# \$ -	\$ 1,564,352
Library Collections	127,910	7,956	-	135,866
Work in Progress	3,555	# 341,690	# -	345,245
Total capital assets not being depreciated:	1,695,817	349,646	-	2,045,463
Capital assets, being depreciated:				
Buildings	46,171,683	# 79,395	# (356,177)	45,894,901
Equipment	10,198,292	# 266,682	# (377,008)	10,087,966
Auxiliary Equipment	214,428	# 20,330	# (105,611)	129,147
Library Books	1,242,667	# 27,577	# (83,704)	1,186,540
Total capital assets, being depreciated:	57,827,070	393,984	(922,500)	57,298,554
Less accumulated depreciation :	(31,988,048)	(2,030,744)	911,591	(33,107,201)
Total capital assets, being depreciated, net:	25,839,022	(1,636,760)	(10,909)	24,191,353
Business-type activities capital assets, net	\$27,534,839	\$ (1,287,114)	\$ (10,909)	\$26,236,816

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

<b>LaVale Sanitary Commission</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 234,830		\$ -	\$ 234,830
Work in Progress	126,221	1,922,576	(1,616,085)	432,712
Total capital assets not being depreciated:	361,051	1,922,576	(1,616,085)	667,542
Capital assets, being depreciated:				
Buildings	803,233	-	-	803,233
Infrastructure	25,847,952	1,572,626		27,420,578
Machinery, Vehicles & Equipment,				
Office Furniture and Equipment	1,274,650	23,518	(10,660)	1,287,508
Total capital assets, being depreciated:	27,925,835	1,596,144	(10,660)	29,511,319
Less accumulated depreciation for:	(12,600,079)	(647,271)	10,660	(13,236,690)
Total capital assets, being depreciated, net:	15,325,756	948,873	0	16,274,629
Business-type activities capital assets, net	\$15,686,807	\$ 2,871,449	\$ (1,616,085)	\$16,942,171

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9. Interfund Receivables, Payables, and Transfers**

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The composition of interfund balances as of June 30, 2017, is as follows:

**A. Due to/from other funds**

	Due From Other Funds	Due To Other Funds
Governmental funds:		
General Fund	\$ -	\$ 11,168,036
Revolving Building Fund	8,608,817	-
PIB Fund	5,682,761	
Non-major Governmental Funds	2,576,717	1,433,102
Sub-total	16,868,295	12,601,138
Enterprise Funds:		
Water Districts	3,244,988	-
Sanitary Districts	7,034,104	16,617,515
Non-major Enterprise Funds	1,039,140	-
Sub-total	11,318,232	16,617,515
Fudiciary Funds:		
Agency Fund	231,269	-
Health Insurance Trust Fund	800,854	-
Sub-total	1,032,123	-
<b>TOTALS</b>	<b>\$ 29,218,653</b>	<b>\$ 29,218,653</b>

The interfund balances as of June 30, 2017 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

**B. Advances and Loans To/From Other Funds**

	Advances to Other Funds	Advances from Other Funds
Advances:		
General Fund	\$ 1,200,000	
Sanitary Districts		\$ 800,000
Water Districts		400,000
Loans:		
Loan Fund	280,136	
Allegany County Sanitary Districts:		
Long-term debt-Bonds & Loans		14,851
Long-term debt-Other Loans		524
Allegany County Water Districts:		
Current portion of long-term debt		21,557
Long-term debt		243,204
	<b>\$ 1,480,136</b>	<b>\$ 1,480,136</b>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9. Interfund Receivables, Payables, and Transfers (continued)**

The amounts owed to the General fund from the Sanitary District Funds and the amounts owed to the County Loan Fund from the Sanitary District and Water District Funds are reported as advances to indicate that such amounts are long-term assets and are not to be considered as “available spendable resources.”

**C. Transfers**

Transfers to other funds for the year ending June 30, 2017 are as follows:

Transferred From: Transferred To:	Amount	Total By Fund
From the General Fund to:		
Non-major funds governmental funds	\$ 4,746,051	
Enterprise funds:		
Allconet	50,000	
Water/Sewer fund	94,861	\$ 4,890,912
From the Revolving Building Fund To:		
General Fund	0	
Water Fund	19,348	
County Loan Fund		
Non-major funds governmental funds	1,430,696	1,450,044
From the Non-major Governmental Funds to:		
General Fund	-	
Other Non-major governmental fund	249,931	249,931
From the Water Fund to		
Non-major funds governmental funds	17,307	17,307
From the Non-major Enterprise Funds to:		
General Fund	21,375	21,375
<b>TOTALS</b>	<b>\$ 6,629,569</b>	<b>\$ 6,629,569</b>

General Fund transfers to the non-major governmental funds were to fund the local share of grant funded programs and to pay debt service. Transfers to the enterprise funds were to assist in operating costs and debt service. Transfers from the Revolving Building Fund were to pay debt service costs of County economic development buildings and to pay for economic developments share of expenditures in other funds.

Payments to component units for the year ending June 30, 2017 are as follows:

Payment From: Payment To:	Amount	Total By Fund Type
From the General Fund (appropriations) to:		
Board of Education	\$ 30,169,985	
Board of Education, Data Processing	182,712	
Allegany College of Maryland	7,630,550	
Library	956,975	\$ 38,940,222
From the Rocky Gap Slots Fund to:		
Allegany College of MD Foundation	360,000	360,000
From the Gaming Fund to:		
Board of Education:-Braddock Roof	136,168	136,168
<b>Total</b>	<b>\$ 39,436,390</b>	<b>\$ 39,436,390</b>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 10. Short-term Debt**

Allegany County did not issue short-term debt during the fiscal year ending June 30, 2017 and had no balance payable at year end.

**Note 11. Long-Term Debt, Capital Leases and Compensated Absences**

Long-term liability activity of the County for the year ended June 30, 2017, was as follows:

<b>Long-term Debt</b>					
<b>Governmental Activities</b>					
	Beginning Balance	Amount Issued	Amount Retired	Ending Balance	Due Within One Year
General Obligation	\$ 19,615,574	\$ 9,000,000	\$ (3,079,551)	\$ 25,536,022	\$ 2,054,114
Notes	205,808	-	(2,342)	203,465	8,423
Capital Leases*	-	-	0	0	-
State Loans	1,237,421	-	(243,125)	994,296	217,568
Premium on Bonds Payable	871,781	-	(64,437)	807,344	64,437
Total	<u>\$ 21,930,584</u>	<u>\$ 9,000,000</u>	<u>\$ (3,389,455)</u>	<u>\$ 27,541,127</u>	<u>\$ 2,344,542</u>
<b>Business-type activities</b>					
	Beginning Balance	Amount Issued	Amount Retired	Ending Balance	Due Within One Year
Water districts:					
Rural development loans	\$ 10,934,967	\$ 200,000	\$ (237,015)	\$ 10,897,952	\$ 245,355
Maryland water quality loans	301,066	100,000	(14,148)	386,918	14,751
County loans	285,640	-	(20,879)	264,761	21,557
Total water districts	<u>11,521,673</u>	<u>300,000</u>	<u>(272,042)</u>	<u>11,549,631</u>	<u>281,663</u>
Sewer districts:					
Maryland water quality loans	558,131	-	(50,436)	507,695	50,436
Maryland environmental loans	11,903,457	294,931	(1,067,583)	11,130,805	1,078,126
Rural development loans	4,742,446	-	(90,346)	4,652,100	93,154
Other loans	15,876	-	(501)	15,375	524
Total sewer districts	<u>17,219,910</u>	<u>294,931</u>	<u>(1,208,866)</u>	<u>16,305,975</u>	<u>1,222,240</u>
Total business-type activities:					
Maryland water quality loans	859,197	100,000	(64,584)	894,613	65,187
Maryland environmental loans	11,903,457	294,931	(1,067,583)	11,130,805	1,078,126
Rural development loans	15,677,413	200,000	(327,361)	15,550,052	338,509
Other loans	301,516	-	(21,380)	280,136	22,081
Total business-type activities	<u>\$ 28,741,583</u>	<u>\$ 594,931</u>	<u>\$ (1,480,908)</u>	<u>\$ 27,855,606</u>	<u>\$ 1,503,903</u>
<b>Other Long-term Liabilities</b>					
	Beginning Balance	Current Year Changes	Payments	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 4,644,856	\$ 388,245	\$ (290,900)	\$ 4,742,201	\$ 1,161,670
Net Pension Liability-St of MD	13,411,766	1,536,735		14,948,501	
Net Pension Liability-LOSAP	<u>1,886,203</u>	<u>294,339</u>		<u>2,180,542</u>	
<b>Business-type activities</b>					
Water & sewer districts					
Compensated absences	\$ 491,467	\$ 24,344	\$ (39,979)	\$ 475,833	\$ 163,985
Net Pension Liability	<u>1,103,132</u>	<u>108,592</u>		<u>1,211,724</u>	

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 11. Long-Term Debt, Capital Leases and Compensated Absences - continued**

Annual debt service requirements to maturity for Allegany County's governmental activities long-term debt outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes		Capital Leases		State Loans		Premium	Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Bond Pay	Principal	Interest
2018	2,054,114	787,147	8,423	10,824	-	-	217,568	13,973	64,437	2,344,542	811,944
2019	2,098,908	726,689	8,915	10,333	-	-	337,701	10,075	64,437	2,509,961	747,097
2020	1,637,000	670,689	9,435	9,813	-	-	207,955	4,972	64,437	1,918,827	685,474
2021	1,502,000	615,017	9,985	9,262	-	-	115,675	1,578	64,437	1,692,097	625,857
2022	1,552,000	563,090	10,567	8,680	-	-	84,925	635	64,437	1,711,929	572,405
2023-2027	8,576,000	1,976,469	62,832	33,405	-	-	30,471	236	322,185	8,991,488	2,010,110
2028-2032	6,151,000	828,199	93,309	13,029	-	-	-	-	172,513	6,416,822	841,228
2033-2037	1,965,000	97,024	0	0	-	-	-	-	54,898	2,019,898	97,024
	<u>\$ 25,536,022</u>	<u>\$ 6,264,324</u>	<u>\$ 203,466</u>	<u>\$ 95,346</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 994,295</u>	<u>\$ 31,469</u>	<u>\$ 871,781</u>	<u>\$ 27,605,564</u>	<u>\$ 6,391,139</u>

Annual debt service requirements to maturity for Allegany County's business-type activities long-term debt outstanding as of June 30, 2017 are as follows:

The annual debt service requirements to maturity for the Water Districts long-term debt outstanding at June 30, 2017 are:

Year Ending June 30,	Farmers Home Admin. Loans		Water Quality/MDE Loans		Other Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	245,355	312,213	14,751	5,078	21,557	9,928	281,663	327,219
2019	253,301	304,840	14,911	4,918	22,263	9,223	290,475	318,981
2020	261,018	296,550	15,073	4,756	22,993	8,493	299,084	309,799
2021	269,508	288,060	15,236	4,593	23,747	7,739	308,491	300,392
2022	277,885	279,683	15,401	4,427	24,527	6,959	317,813	291,069
2023-2027	1,530,247	1,257,595	79,556	19,588	62,174	24,521	1,671,977	1,301,704
2028-2032	1,778,598	915,058	84,007	15,157	27,779	17,148	1,890,384	947,363
2033-2037	1,833,628	698,106	68,026	9,478	34,780	9,852	1,936,434	717,436
2038-2042	1,645,637	427,590	36,934	4,843	24,941	2,018	1,707,512	434,451
2043-2047	1,354,609	230,024	14,088	2,947	0	0	1,368,697	232,971
2048-2052	1,275,395	84,467	15,274	1,762	0	0	1,290,669	86,229
2053-2057	172,771	3,994	13,660	490	0	0	186,431	4,484
Totals	<u>\$ 10,897,952</u>	<u>\$ 5,098,180</u>	<u>\$ 386,917</u>	<u>\$ 78,037</u>	<u>\$ 264,761</u>	<u>\$ 95,881</u>	<u>\$ 11,549,633</u>	<u>\$ 5,272,098</u>

The annual debt service requirements to maturity for the Sanitary Districts long-term debt outstanding at June 30, 2017 are:

Year Ending June 30,	Water Quality Loans		Md. Environmental Loans		Farmers Home Admin. Loans		Other Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	50,436	6,852	1,078,126	149,811	93,154	154,916	524	692	1,222,240	312,271
2019	39,179	6,227	1,090,731	136,138	96,362	151,708	548	668	1,226,820	294,741
2020	27,637	5,752	1,104,889	122,280	99,693	148,377	573	643	1,232,792	277,052
2021	27,962	5,427	1,118,637	108,231	103,151	144,919	600	617	1,250,350	259,194
2022	28,290	5,098	1,132,892	93,976	106,742	141,328	627	589	1,268,551	240,991
2023-2027	146,540	20,423	4,506,108	261,259	592,609	647,738	3,594	2,485	5,248,851	931,905
2028-2032	145,690	11,124	955,132	34,095	705,708	520,861	4,500	1,735	1,811,030	567,815
2033-2037	41,961	-	144,290	3,883	791,339	398,908	4,409	460	981,999	403,251
2038-2042	-	-	-	-	783,916	266,071	-	-	783,916	266,071
2043-2047	-	-	-	-	929,122	120,355	-	-	929,122	120,355
2048-2052	-	-	-	-	314,552	21,477	-	-	314,552	21,477
2053-2057	-	-	-	-	35,752	860	-	-	35,752	860
Totals	<u>\$ 507,695</u>	<u>\$ 60,903</u>	<u>\$ 11,130,800</u>	<u>\$ 909,673</u>	<u>\$ 4,652,100</u>	<u>\$ 2,717,511</u>	<u>\$ 15,375</u>	<u>\$ 7,889</u>	<u>\$ 16,305,975</u>	<u>\$ 3,695,983</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 11. Long-Term Debt, Capital Leases and Compensated Absences - continued**

A summary of individual long-term debt balances for governmental activities for the current and prior year is as follows:

Allegany County Primary Government Schedule of Long - Term General Obligation Debt:					
General Obligation Bonds:	Date of	Date of	Interest	June 30,	
Public Improvement Bonds:	Issue	Maturity	Rate (%)	2017	2016
Bonds of 1998	08/15/98	08/01/13	4.375-4.65	0	0
Bonds of 2004	10/26/04	10/01/19	3.50	0	0
Bonds of 2006	07/21/06	08/01/16	4.24	0	0
Bonds of 2008	12/16/08	09/01/18	4.36	1,001,022	1,485,574
Bonds of 2013-Nontax	03/11/13	03/11/27	2.11	6,955,000	8,015,000
Bonds of 2013-Taxable	03/11/13	03/11/17	1.48	0	1,205,000
Bonds of 2014	12/16/14	12/16/35	2.88	8,580,000	8,910,000
Bonds of 2017	01/20/17	01/15/32	2.88	9,000,000	0
Premium on Bonds	03/11/13	03/11/27	n/a	336,788	374,208
Premium on Bonds	12/16/14	12/16/35	n/a	470,557	497,574
Notes:					
Farmers Home Admin	1992	2032	5.75	203,466	205,808
Capital Leases:					
Transit Bus	04/11/06	04/11/13	5.94	-	-
State Loans:					
Md Industrial Land Act:					
	1991	2017	6.90	0	34,449
Superfos Expansion	1994	2014	5.93		
Micro - Integration	1995	2014	5.93	0	0
Superfos III					
	01/05/96	2020	5.00	579,396	728,160
PPG Purchase	2001	2022	4.69	46,116	64,205
MD PPG Improvements	2000	2020	1.00	141,415	144,000
Md Environmental Loan	2003	2023	0.89	227,369	266,607
Total Long - Term General Obligation Debt				27,541,128	21,930,584
Compensated Absences				4,742,201	4,644,856
Total long-term liabilities				\$ 32,283,329	\$ 26,575,440

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Schedule of Business-type Debt						
Water Districts Debt:	Date of	Date of	Interest	June 30,		
	Issue	Maturity	Rate (%)	2017	2016	
Eckhart FHA Loan 1991 Series A	02/21/91	2013	6.0	\$ 71,309	\$ 74,459	
Eckhart FHA Loan 1991 Series B	02/21/91	2013	6.0	173,979	181,680	
Eckhart/Clarysville RDA Loan	04/17/11	2051	2.5	199,176	202,902	
Borden/Zhilman FHA Loan 1998	10/22/97	2037	4.5	244,413	251,561	
Carlos/Shaft FHA Loan 2000	12/28/99	12/28/2039	3.25	361,908	372,717	
Oldtown Rd FHA Loan 2000 R-1	12/28/99	12/28/2039	3.25	170,770	175,867	
Oldtown Rd FHA Loan 2000 R-2	12/28/99	12/28/2039	3.25	174,327	179,531	
Grahmtown FHA Loan 2001 R-2	2001	2042	4.5	479,306	489,863	
Consol FHA loan	2004	2044	4.5	87,453	89,118	
McCoole FHA Loan	1999	2039	4.5	815,027	837,169	
Barton Industrial Park	2005	2045	4.5	304,030	309,540	
Klondike FHA	2005	2045	4.5	396,822	403,897	
Morantown FHA Loan	2005	2046	4.25	145,840	148,437	
Mexico Farms	1992	2032	5.5	269,487	280,330	
Bowmans Addition RDA Loan	10/01/10	2051	3.75	552,076	560,221	
Bowmans Addition Phase 2 RDA	12/16/11	2052	2.00	567,519	578,310	
Bedford Rd/Shades Lane MDE	06/28/12	2052	1.00	38,801	40,195	
Cresaptown RDA Loan	06/28/12	2052	2.00	1,371,588	1,398,391	
Cresaptown RDA Loan 2	06/28/12	2052	2.00	425,071	433,397	
Mt Savage-FHA Loan	06/30/13	2053	2.00	3,264,085	3,327,682	
Mt Savage-MDE Loan	10/31/12	2042	1.00	79,235	81,967	
Rawlings	03/31/14	2054	2.00	179,340	182,700	
Rawlings-MDE Loan	2015	2020	2.00	170,226	178,901	
Rawlings-RDA Loan	2016	2057	2.00	449,512	457,208	
Oldtown Road -FHA Loan	2017	2057	2.00	99,591	-	
Route 36 District -FHA	2017	2057	2.00	95,325	-	
Route 36 District -MDE	2017	2036	2.00	98,654	-	
Sub-total				11,284,870	11,236,043	
Carlos/Shaft Loan	2006	2040	4.5	40,688	41,675	
Missick Road Loan	2006	2040	4.5	64,108	65,664	
Route 51 Loan	2006	2040	4.5	22,625	23,174	
PSC Rate case	2007	2024	4.5	137,340	155,122	
Sub - total				264,761	285,635	
Total debt				11,549,631	11,521,678	
Less: Current maturities of long - term debt				(281,663)	(265,604)	
Total Water Districts long - term debt				\$ 11,267,967	\$ 11,256,073	
Sanitary Districts Debt:						
Maryland Water Quality Loans						
Cresaptown	1986	2015	8.8	0	0	
Bedford Road	2013	2032	1.4	202,441	214,511	
Braddock Run	2013	2019	1.0	35,298	58,429	
Jennings Run	2014/2015	2036	1.0	272,082	286,699	
Braddock Run	2016	2034	1.0	866,458	741,723	
Bedford Road	2017	2031	1.2	114,592	-	
Sub - total				1,490,871	1,301,362	
Maryland Department of Environment						
Celanese Treatment Plant	1991	2010	3.705	-	-	
Celanese WWTP Upgrade	06/03	2023	0.40	3,353,509	3,761,590	
Inflow and Infiltration Study I	12/03	2023	0.40	381,532	455,798	
Celanese	2006	2026	0.40	376,927	416,957	
Inflow and Infiltration Study II	2008	2028	1.00	692,481	749,790	
George Creek WWTP Upgrd	2009	2029	0.40	5,138,263	5,554,406	
Inflow and Infiltration Study II	2010	2030	1.00	204,632	221,684	
Sub - total				10,147,344	11,160,225	
Farmers Home Administration Loans						
Georges Creek	2007	2047	4.125	444,309	451,678	
Cash Valley Road	1996	2036	4.50	100,026	103,373	
Oldtown Road	1996	2036	4.50	379,337	392,036	
Bowling Green/Cresaptown A	2007	2047	4.125	1,677,177	1,704,985	
Bowling Green/Cresaptown B	2007	2047	4.125	329,241	334,706	
Bedford Road	2012	2052	2.000	432,380	440,832	
Bedford Road	2013	2052	2.000	470,796	479,815	
Jennings Run	2013	2052	2.000	819,119	835,018	
Sub - total				4,652,385	4,742,443	
Oldtown	2006	2036	4.5	15,375	15,876	
Sub - total				15,375	15,876	
Total				16,305,975	17,219,906	
Less: Current maturities of long - term debt				(1,222,240)	(1,192,509)	
Total Sanitary Districts Long - term Debt				\$ 15,083,735	\$ 16,027,397	



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 11. Long-Term Debt - continued**

The following is a summary of debt transactions for the discretely presented component units for the fiscal year ended June 30, 2017

Long-term Liabilities - Component Units						
Long-term debt activity for the year ended June 30, 2017:						
	Allegany College of Maryland			LaVale Sanitary Commission		
Payable at July 1, 2017	\$ 353,268			\$ 3,220,896		
Amount issued	42,844			1,803,000		
Amount retired	(63,411)			(315,966)		
Payable at June 30, 2017	<u>\$ 332,701</u>			<u>\$ 4,707,930</u>		
Annual debt service requirements to maturity:						
	Allegany College of Maryland (Capital Leases)			LaVale Sanitary Commission		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	68,917	5,135	74,052	179,287	151,131	330,418
2019	62,337	3,849	66,186	184,779	145,639	330,418
2020	59,407	2,846	62,253	190,483	139,935	330,418
2021	58,222	1,887	60,109	196,409	134,009	330,418
2022	54,252	1,005	55,257	202,563	127,855	330,418
2023-2027	29,566	175	29,741	1,017,860	538,769	1,556,629
2028-2032			-	1,186,062	346,678	1,532,740
2033-2037	-	-	-	1,101,228	126,372	1,227,600
2038-2042	-	-	-	272,282	27,976	300,258
2043-2047				176,977	9,114	186,091
	<u>\$ 332,701</u>	<u>\$ 14,897</u>	<u>\$ 347,598</u>	<u>\$ 4,707,930</u>	<u>\$ 1,747,478</u>	<u>\$ 6,455,408</u>

**Note 12. Pension and Retirement Systems**

*Allegany County Primary Government*

**General Information about the Pension Plan**

**Plan Descriptions**

Allegany County contributes to the Maryland State Retirement and Pension Systems ("Systems"). Both systems are cost sharing multiple-employer defined benefit plans. The Systems were established by Article 73B of the Annotated Code of Maryland to provide retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the Systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The retirement and pension systems issue a publicly available financial report, which includes financial statements and required supplementary information. The report may be obtained at <http://www.sra.state.md.us> or by writing to the following:

Maryland State Retirement Agency  
120 E. Baltimore Street  
Baltimore, Maryland 21202-6700

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 12. Pension and Retirement Systems-continued

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**Contributions**

Employees covered under the retirement system are required to contribute between five and seven percent of their base salary. The County is required to contribute at an actuarially determined rate and the current rate is 12.06% of covered payroll. Employees belonging to the pension system must contribute seven percent of their base salary and seven percent of the base salary that exceeds the social security wage base. The County is required to contribute at an actuarially determined rate also. The contribution rate for the County is currently 8.32% of covered payroll. The contribution requirements of plan members and Allegany County are established and may be amended by the plan's board of trustees. Allegany County's contributions for the years ended June 30, 2017, 2016 and 2015, were \$ 1,338,202, \$1,334,298, and \$1,472,135 respectively, equal to the required employer contributions for each year.

**Benefits Provided**

Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Members are eligible for early service pension allowances upon reaching age 55 and have at least 15 years of eligible service. Full service pension allowances equals 1.2% of the highest three consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998 plus 1.8% of the AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Early service pension allowances equal the amount payable for a full service pension reduced by .5% for each month by which the retirement date precedes the date on which the member reaches age 62. The maximum reduction is 42%.

All members are eligible for ordinary disability pension allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions. Ordinary disability pension allowances equal the full service pension allowances if the members are at least age 62 on the date of retirement. Otherwise, the allowances equal the full service pension allowances computed as though the members had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

All members are eligible for accidental disability pension allowances if the Medical Board certifies that, in the course of their job performance and as the direct result of an accidental injury, they become totally and permanently disabled. Accidental disability pension allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and 2/3 of AFC.

In order to be eligible for death benefits, members must have either accumulated at least one year of eligibility service prior to the date of the death or died in the line of duty. The benefit provided upon death of all members equals the members' annual earnable compensation on the date of death plus accumulated contributions. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment or a monthly allowance calculated as payment under Option 2 (100% survivor option). If at the time of death, the member had accrued at least 25 years of eligibility or attained age 55 with at least 15 years

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 12. Pension and Retirement Systems-continued**

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of eligible service or attained age 62 then the survivor's allowance is determined as if the members had been eligible to retire.

Members are eligible for vested pension allowances after separation from service and upon reaching age 62, provided that at least five years of eligibility service was accumulated prior to separation. Members may be eligible for reduced vested pension allowances upon attaining age 55 with at least 15 years of eligibility service. Vested allowances are reduced by .5% for each month by which the allowance commencement date precedes the date on which the member attains age 62. Vested allowances equal the normal service pension allowances computed on the basis of the member's accumulated creditable service and AFC at the point of separation. Members who elect to withdraw their accumulated contributions, remain eligible to receive the employer-provided share of the vested benefit. If members do not withdraw their contributions, and die before attaining age 62, their accumulated contributions are returned to the designated beneficiary.

Cost of living adjustments are adjusted each year based on the Consumer Price Index. The Cost of Living Adjustments (COLA) are effective July 1<sup>st</sup> of each year.

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

At June 30, 2017, the County reported total net pension liability of \$ 16,160,225 for its proportionate share of the MD State Retirement System's 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 County's proportion of the net pension liability was based on a projection of the County's long term share of contributions to the MD State Retirement System relative to the projected contributions made by all participants to the MD State Retirement System actuarially determined. At June 30, 2016, the County's proportion was .0685 percent, which was a decrease of .0013 from its proportion measured as of June 30, 2015.

Pension expense for the pension plan for the year ended June 30, 2017 was \$ 2,139,038.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 12. Pension and Retirement Systems-continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 413,307
Change of assumptions	656,028	
Net difference between projected and actual earnings on pension plan investments	1,966,804	
County contributions subsequent to the measurement date	1,338,202	
<b>Total</b>	<u><u>\$ 3,961,034</u></u>	<u><u>\$ 413,307</u></u>

The amount \$ 1,338,202 reported as deferred outflows of resources related to pensions resulting from County contributions to the pension system subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Deferred Outflows (Inflows) of Resources
Year ended June 30:	
2018	\$ 513,929
2019	513,929
2020	772,123
2021	441,046
2022	(31,502)
<b>Total</b>	<u><u>2,209,525</u></u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 12. Pension and Retirement Systems-continued

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**Actuarial Assumptions**

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

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.7% general, 3.20% wage
Salary increases	3.30% to 9.2%, including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality Table with generational mortality projections using Scale MP , 2014, calibrated to MSRPS experience

The actuarial assumptions used in both the June 30, 2016 and the June 30, 2015 valuations were based on the results of an actuarial experience study for the five year period of 2010-2014. Based on the 2016 experience study, the actuary recommended changes in the actuarial assumptions. The changes include 1) a decrease in the general inflation rate from 2.95% to 2.70%, 2) a decrease in the wage inflation rate from 3.45% to 3.20%, and 3) salary increases from 3.45% to 10.70% to 3.30% to 9.2%. Additionally, both the discount rate and investment rate of return remained the same at 7.55%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 geometric real rates of return were adopted by the System after considering input from the System's investment consultants and actuaries. For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 12. Pension and Retirement Systems-continued

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, contributions from the employer will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower(6.55%) or 1% higher (8.55%) than the current rate:

	1% Decrease 6.55%	Current Discount Rate 7.55%	1% Increase 8.55%
County's proportionate share of the net pension liability	22,197,514	16,160,225	11,136,354

**Pension Plan Fiduciary Net Position**

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

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 12. Pension and Retirement Systems-continued

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*Defined Contribution Plan*

Allegany County has also established one defined contribution plan for the Management Contractual Employees Retirement Plan, to provide retirement benefits to certain contractual employees of the County. The ICMA Retirement Corporation administers the plan. At June 30, 2017, there were 4 members enrolled in the plan.

The defined contribution plan requires the County to contribute 8.56% to the Management Contractual Employees Retirement Plan of annual covered payroll. The required contribution was \$ 18,261, which was made. Plan provisions and contribution requirements are established and may be amended by the County Commissioners.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in the County's contributions and earnings on County contributions immediately. There were no forfeitures for the plan. The County had no liability to the ICMA plan at June 30, 2017.

The financial statements of the defined contribution plan is prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period the contributions are due. Plan investments are reported at fair market value.

*Allegany County Component Units*

**Board of Education-Component Unit**

The Board of Education participates in the Maryland State Retirement System part of the same cost sharing multiple-employer defined benefit pension and retirement systems the County participates in. The employees are covered under either the Teachers' Retirement System, the Employees' Retirement System, the Teachers' Pension System or the Employees' Pension System Plans. A copy of the report can be obtained by writing to the Maryland State Retirement Agency at the address listed above.

Members of the retirement systems entering on or after July 1, 1973 are required to contribute 5% or 7%, based on personal election, of earnable compensation; members before that date contribute the lessor of 5% or the percentage they were contributing prior to July 1, 1973.

Members of the contributory pensions are required to make contributions of 7% of earnable compensation. The Board of Education is required to contribute at an actuarially determined rate for individuals in the employee retirement system and the employee contributory pension system. The current rate is 9.73%. The contribution requirements of plan members and the Board are established and may be amended by the State Retirement and Pension System Board of Trustees. The Board recorded pension expense for the FY 17 in the amount of \$ 3,101,169 and the net pension liability recorded was \$ 6,932,618. Deferred outflows of resources was recorded in the amount of \$ 1,993,261, of which, \$ 316,153 was for change in assumptions, \$1,144,640 was for the net difference between projected and actual earnings and \$ 532,468 was for contributions made subsequent to the measurement date. Deferred inflows of resources was recorded in the amount of \$ 498,587 for the net difference between projected and actual experience.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 12. Pension and Retirement Systems-continued

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Allegany County Library System-Component Unit

The employees of the Library are provided retirement benefits through the Maryland State Retirement and Pension Systems; the same cost sharing multiple-employer defined benefit retirement system in which the County participates. All employees of the Library System except custodial personnel are covered by the Maryland State Teacher's Retirement Systems. The Maryland State Department of Education is directly responsible for all financial and administrative requirements of the employees' participation in the Teachers Retirement System. The Library System itself is only financially and administratively responsible for custodial employees' participation in the Maryland State Retirement Systems. As of year-end, all custodial employees participated in the pension system. Detailed information on the Library's retirement plan provisions, funding status, required contributions and trends may be obtained in their financial reports for the period ending June 30, 2017. The Library's pension expense for the year was \$ 156,895. Net pension liability was \$ 92,970 at June 30, 2017. Deferred outflows of resources was \$ 17,813 of which \$ 1,157 was due to changes in assumptions, 9,084 was the net difference between projected and actual earnings on pension plan investments and \$ 7,572 was the Library's contributions subsequent to the measurement date. Deferred inflows of resources was recorded in the amount of \$ 1,382 for the net difference between expected and actual experience.

Allegany College-Component Unit

The College's permanent employees are provided pension benefits through one of several pension plans: Maryland State Teachers' Retirement System, Maryland State Teachers' Pension System, TIAA/CREF Retirement Plan, Maryland State Employees' Retirement System, and the Maryland State Employees' Pension System. All of the plans the College participates in are the same cost sharing multiple-employer defined benefit plans the County participates in, with the exception of TIAA/CREF Retirement Plan which is a separate plan the County is not associated with. The State of Maryland is responsible for funding the employee portion of pension costs for substantially all employees covered by the Teachers' Retirement System, Teachers' Pension System, and the TIAA/CREF Retirement Plan.

Detailed information on the College's retirement plan provisions, funding status, required contributions and trends may be obtained in their financial reports for the period ending June 30, 2017. Allegany College's pension expense for FY 17 was \$ 77,433 and net pension liability was \$ 908,494. Deferred outflows of resources were recorded at \$ 217,384, of which \$ 37,582 was due to change in pension assumptions, \$102,369 was for the net difference between projected and actual earnings on pension investments and \$ 77,433 was attributed to contributions made subsequent to the measurement date. Deferred inflows of resources was recorded at (\$ 23,104) for the net difference between projected and actual experience.



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 12. Pension and Retirement Systems-continued**

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**LaVale Sanitary Commission – Component Unit**

The Sanitary Commission provides a defined benefit pension plan for all their full-time employees. The plan is a single employer non-contributory plan and is not a part of any of the plans in which the County participates. Detailed information on LaVale Sanitary Commission's retirement plan provisions, funding status, required contributions and trends may be obtained in their financial reports for the period ending June 30, 2017. LaVale Sanitary's pension expense for the fiscal year ended was \$ 70,714. Net pension liability was (\$ 510,050), pension contributions exceeding the required annual contributions are recorded as an asset in the Commission's financial statements; the balance at June 30, 2017 was \$ 510,050 and therefore, no net pension liability obligation exists.

At June 30, 2017, the Commission reported deferred outflows of resources in the amount of \$ 267,664 of which, \$ 161,053 was the difference between expected and actual experience, 92,460 was the change in assumption amount and 14,151 was the net difference between projected and actual earnings on pension plan investments. The deferred inflows of resources was \$ 120,991, which was attributed to change in assumptions.

**Note 13. Pension and Retirement Systems-Length of Service Award Program (LOSAP)**

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*Allegany County Primary Government*

**General Information about the LOSAP Pension Plan**

**Plan Descriptions**

On January 1, 2009, the County adopted the Allegany County Emergency Services Length of Service Awards Program for the Allegany County Emergency Service Organizations members which provide fire, rescue, and ambulance services to the residents of Allegany County. The plan is a single employer, defined benefit pension plan which is open to any volunteer over the age of eighteen, who has completed one year of service. Participants vest after ten years of service and earn a fixed dollar benefit based on years of service. The plan is administered by Allegany County and any and all changes made to the benefit terms of the plan are under the authority of Allegany County. There are no assets accumulated in a trust that meet the criteria in GASB No. 73, paragraph 4. No trust is established, contributions are not irrevocable, and assets are not legally protected from creditors. No separate financial report is issued for the plan.

**Participants Covered by Benefit Terms**

At year end, the program membership consisted of 552 eligible active members and no retirees. There are no inactive members that currently receive benefits nor are there any inactive members that are entitled to but not receiving benefits.

**Funding Policy and Benefits Provided**

The plan is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis and are recognized when due and payable in accordance with the terms of the plan. Benefits accrue per month at the rate of \$7 multiplied by the years of service, with a maximum benefit of \$ 105 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. No benefits have been paid.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 13. Pension and Retirement Systems-Length of Service Award Program (LOSAP) (continued)**

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

At June 30, 2017, the County reported total net pension liability of \$ 2,180,542. The net pension liability was measured as of December 31, 2016 and the total pension liability was determined by an actuarial valuation as of January 1, 2016, the results of which were rolled forward to the December 31, 2016 measurement date, in accordance with actuarial standards of practice.

Pension expense for the plan for FY 17 was \$ 330,574

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	
Change of assumptions		29,416
<b>Total</b>	<u>\$ -</u>	<u>\$ 29,416</u>

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

	Deferred Outflows (Inflows) of Resources
Year ended December 31:	
2017	\$ (2,101)
2018	(2,101)
2019	(2,101)
2020	(2,101)
2021	(2,101)
2022 and Thereafter	(18,911)
<b>Total</b>	<u>(29,416)</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 13. Pension and Retirement Systems-LOSAP-continued**

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**Actuarial Assumptions**

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following key actuarial assumptions, (no experience studies) applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	0%
Salary increases	Not Applicable
Discount rate	3.81%
Investment rate of return	3.81%, net of pension plan investment expense, including inflation
Mortality	1984 Unisex Pensioners with 1 setback
Retirement	First Eligible
Turnover	T6
Disability	None

**Discount Rate**

The discount rate used to measure the total pension liability was 3.81%. This single discount rate was based on the expected rate of return on pension plan investments of 3.81%. The discount rate of 3.81% is based on the 20-year AA general obligation bond rate as of December 31, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made at contractually required rates (actuarially determined). 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 County's Net Pension Liability to Changes in the Discount Rate**

The following presents the County's net pension liability calculated using the discount rate of 3.81%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower(2.81%) or 1% higher (4.81%) than the current rate:

	1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
Net Pension Liability	2,332,300	2,180,542	2,025,422

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 13. Pension and Retirement Systems-LOSAP-continued**

**Changes in Net Pension Liability**

Balance at 1/1/16	\$ 1,886,203
Changes for the year:	
Service Cost	260,811
Interest	71,864
Changes in benefit terms	-
Differences between expected and actual experience	1
Changes in assumptions	(31,517)
Benefit payments and expenses	(6,820)
Net Changes for the Year	<u>294,339</u>
Balance at 12/31/16	<u>\$ 2,180,542.00</u>

**Note 14. Governmental Fund Balance Classifications**

Beginning with fiscal year 2012, the County adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", which redefined how fund balances of governmental funds are presented in the financial statements. Those classifications are:

- Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the Allegany County Code, federal or state laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal resolution or ordinance by the Board of County Commissioners.
- Assigned – Amounts that are designated by the Board of Commissioners or the Director of Finance for a particular purpose.
- Unassigned – All amounts not included in other spendable classifications.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Fiscal Year 2017 Fund Balance Classifications					
Fund Balances:	General Fund	Major Special Revenue Fund Revolving Building	Major Capital Projects Fund Public Imprv Fund	Other Funds	Total
Nonspendable					
Long term receivables	\$ 1,200,000	\$ -	-	\$ -	\$ 1,200,000
Inventory				42,233	42,233
Restricted for:					
Transit bus replacement	173,170	-	-	-	173,170
Housing programs	-	-	-	53,151	53,151
Coal Haul Roads	-	-	-	269,189	269,189
Drug task Force	-	-	-	74,149	74,149
Inmate activities/fire companies	-	-	-	778,169	778,169
High School Construction	-	-	14,528,198		14,528,198
Sheriff Task Force				49,817	49,817
Committed to:					
Economic development	-	8,369,138		-	8,369,138
FY 2018 Budget	967,195				967,195
School capital\Fire Co	-	-	-	331,029	331,029
Assigned to:					
Election machine replacements		-	-	-	-
Future Disparity Grant Funding	3,264,000				3,264,000
Potential State of MD Budget Cuts	750,000	-	-		750,000
LOSAP	1,882,328				1,882,328
Technology Enhancements	-	-	-	304,720	304,720
Public Works projects				407,461	407,461
Public Safety				586,602	586,602
School projects				722,429	722,429
County building improvements	-	-	-	267,508	267,508
Unassigned:	18,649,963	-	-	(397,597)	18,252,366
	<u>\$ 26,886,656</u>	<u>\$ 8,369,138</u>	<u>14,528,198</u>	<u>\$ 3,488,860</u>	<u>\$ 53,272,853</u>

**Note 15. Postemployment Healthcare Plan**

**Plan Description.** The County's single-employer defined benefit postemployment healthcare plan, the Allegany County Non-Pension Post Employment Benefits Plan (ACBP), provides medical benefits to eligible retired County employees and their beneficiaries. ACBP is affiliated with the Allegany County, Maryland Non-Pension Post Employment Benefit Trust (ACMBT), an agent multiple-employer postemployment healthcare plan. The Allegany County Code assigns the authority to establish and amend the benefit provisions of the plans that participate in ACMBT to the respective employer entities, for ACBP, that authority rests with Allegany County. Management of the ACMBT is vested in the ACMBT Board of Trustees which consists of four trustees. One trustee is appointed by the LaVale Sanitary Commission (the other employer in the trust) and the other three are appointed by virtue of the position they hold in the Allegany County government. The authority to establish and amend the benefit provisions in the ACMBT rests with the respective employer entities. For Allegany County, the authority rests with the Board of Commissioners. The plan does not issue financial reports separately.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 15. Postemployment Healthcare Plan-continued**

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The assets, income and expenses for the trust that holds the assets are reported in the County's fiduciary funds.

**Funding Policy.** The contribution requirements of plan members and the County are established and may be amended by ACMBT board of trustees. ACBP members under age 65 receiving benefits who were hired prior to July 1, 1997 contribute 8% of the premium and members under the age 65 receiving benefits who were hired after June 30, 1997 contribute 25% of the premium. The County pays \$ 150 per month for retirees over 65.

The current ARC rate is 5.9 percent of annual covered payroll, and is an actuarially determined amount.

Plan membership consists of 373 active members and 263 inactive plan members or beneficiaries currently receiving benefit payments and there are no inactive plan members that are entitled to but not receiving benefits.

**Investment Policy.** The Trust has adopted the County's investment policy. The Board of Commissioners have authority to amend the policy. Currently, the Trust invests in the MACO Trust Fund. The Maryland Association of Counties Pooled OPEB Trust (the "Trust") is an "Other Post-Employment Benefits" membership trust established to help local governments invest current funds toward future obligations for retiree health insurance, a.k.a. "other post-employment benefits." Both county and municipal governments, and other county-funded entities (like libraries and community colleges), are welcome to join the MACO OPEB Trust.

Investing through an entity like the MACO Pooled OPEB Trust offers governments an opportunity under state law to invest funds in a manner suitable for longer term assets, and outside the laws generally governing "public funds." The Trust arrangement ensures that the funds may not be extracted for purposes other than the intended benefits, making that distinction clear. The trust shall be invested consistent with Section 17-102 of the Local Government Article of the Annotated Code of Maryland, as amended from time to time.

Overall, the Trustees have adopted a fairly conservative mixed portfolio, with 65% in equities and 35% in fixed income investments. The target rate of return for the Trust is 7% annually, set generally in keeping with industry trends given the diversified portfolio construction. Further information including audited financial statements is available at [www.mdcounties.org/index.aspx?nid=250](http://www.mdcounties.org/index.aspx?nid=250)

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 15. Postemployment Healthcare Plan-continued**

**Annual OPEB Cost and Net OPEB Obligation.** 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 GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table show the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the county's net OPEB obligation to the retiree health plan:

Annual Required Contribution (ARC)	\$ 1,273,835
Interest on Net OPEB Obligation	(74,702)
Adjustment to ARC	<u>58,570</u>
Annual OPEB cost (expense)	1,257,703
Contribution Towards OPEB Cost	<u>(981,229)</u>
Increase (Decrease) in Net OPEB Obligation (asset)	276,474
Net OPEB Obligation (Asset)-Beginning of the year	<u>(1,067,168)</u>
Net OPEB Obligation (Asset)-End of the year	<u><u>\$ (790,694)</u></u>

For fiscal year 2017, the County's annual OPEB cost (expense) of \$1,257,703 for ACBP was more than the ARC. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding fiscal year are as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/17	1,257,703	78.0%	\$ (790,694)
06/30/16	889,381	121.0%	\$ (1,067,168)
06/30/15	891,362	117.0%	\$ (879,516)

**Funding Status and Funding Progress.** The funded status of the plan as of June 30, 2017 (the date of the latest actuarial valuation) was as follows:

Actuarial accrued liability (AAL)	\$ 21,207,922
Actuarial value of plan assets	<u>2,662,273</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 18,545,649</u></u>
Funded ratio (actuarial value of plan assets/AAL)	12.60%
Covered payroll (active plan members)	\$ 16,680,326
UAAL as a percentage of covered payroll	111.20%

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

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 15. Postemployment Healthcare Plan-continued**

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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 multiyear trend 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 to include techniques that are designed to reduce short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

	Allegany County Non-Pension Postemployment Benefits Plan
Valuation and Measurement Date	6/30/2017
Actuarial cost method	Entry Age
Amortization method	Level percentage of pay (3% annual payroll increase assumed)
Remaining amortization period	30 Years
Actuarial assumptions:	
Discount Rate	The expected trust return of 7% is blended with the 20 year Aa municipal bond rate of 3.56%. The blended rate is 5.31%
Investment rate of return	7%, net of investment expense and including inflation
Healthcare cost trend rate	7% for 2017, reduced linearly to an ultimate rate of 4.5% in 2022
Mortality	RP 2000 gender-specific projected to 2027 with scale BB, for disabled mortality RP2000 disabled gender-specific projected to 2027 with scale BB



**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 15. Postemployment Healthcare Plan-continued**

In the June 30, 2017 actuarial valuation, the entry age actuarial cost method was used. The inflation rate was assumed to be constant at 3% per year. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 6 years. The actuarial value of ACBP assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three year period. The ACBP's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017, was thirty years. The County has elected to apply GASB Statement No. 45 prospectively and as a result the liability at transition was \$0.

**Expected Return:** The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, and the final investment return assumption, are summarized in the following table:

	<b>Long-Term Expected Real Rate of Return</b>	<b>Long-Term Weighted Real Rate of Return</b>
Domestic Equity	5.75%	48.00%
International funds	6.25%	13.00%
Fixed Income-US	2.75%	33.00%
Global Funds	5.00%	6.00%
Cash Equivalents	0.85%	0.00%
Total Weighted Average Real Return	4.78%	100.00%
Plus Inflation	2.50%	
Total Return w/o Adjustment	7.28%	
Risk Adjustment	-0.28%	
Total Expected Return	7.00%	

The money-weighted rate of return for FY 17 was 7.64%

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 15. Postemployment Healthcare Plan-continued

**The components of the net OPEB liability are as follows:**

Total OPEB Liability	24,183,719
Plan Fiduciary Net Position	<u>2,662,273</u>
Net OPEB Liability	<u>21,521,446</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	11.01%

**Discount Rate:** The discount rate used to measure the total OPEB liability was 5.31%. The County's funding expectations/policy is to contribute the Actuarially Determined Contribution to their OPEB trust (if greater than annual benefits), in addition to paying benefits for retirees. It is expected that benefits will be paid from the trust when a 40% funding level is reached. Based on this information, we project that benefits will be financed on a pay as you basis through 2031, then from the trust there forward (from 2032 on).

Therefore, the expected trust return of 7% is blended with the 20 year Aa bond rate (Source: Fidelity general obligation municipal bond index) of 3.56%. The blended rate is 5.31%.

**Sensitivity of the net OPEB liability to changes in the discount rates:** The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.31%) or 1% higher (6.31%) than the current discount rate:

	<u>Discount Rate</u> <u>At 4.31%</u>	<u>Discount Rate</u> <u>At 5.31%</u>	<u>Discount Rate</u> <u>At 6.31%</u>
Net OPEB Liability	23,630,377	21,521,446	19,681,019

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5% decreasing to 3.5%) or 1% higher (8% decreasing to 6.5%) than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>(6% decreasing</u> <u>to 3.5%)</u>	<u>Healthcare Cost</u> <u>Trend Rates</u> <u>(7% decreasing</u> <u>to 4.5%)</u>	<u>1% Increase</u> <u>(8% decreasing</u> <u>to 5.5%)</u>
Net OPEB Liability	19,624,230	21,521,446	23,718,775

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 16. Tax Abatements**

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The County is subject to Enterprise Zone Credits granted by the State of Maryland by authority of Section 9-103 of the Tax Property Article of the Annotated Code of Maryland. The Enterprise Zone tax credit is available to businesses that locate in designated areas of Allegany County and is designed to spur economic growth in these areas. This real property tax credit is available only for nonresidential properties located within the Enterprise Zones and is based on growth in property assessment. Personal property is not included under the Enterprise Zone law. The “base year assessment” is the real property assessment for the year before any new construction or refurbishing is done. The credit is based on the increase in the assessment for each of the next 10 years compared to the base-year assessment. The credit is given on the actual taxes that result from the increase in assessment, using the following rate schedule:

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Year	Percentage of Assessment Increase Credit
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

The State subsequently reimburses the County for 50% of the annual tax credit. The fiscal year 2017 enterprise zone credits amounted to \$ 182,894 and the State of Maryland reimbursed the County \$ 91,589.

In addition, the County also “piggybacks” on to the City of Cumberland’s Historic Preservation tax credit program as follows:

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The City of Cumberland has a Historic Preservation tax program whereas property owners are eligible to receive property tax credits of up to 10% of properly documented expenses when the existing structure is renovated or preserved. By authority of Section 9-204 of the Tax Property Article of the Annotated Code of Maryland, state law provides that a tax credit of up to 5% may be provided for the new construction costs of architecturally compatible structures and allows a property owner of program structure to have the assessed value of the property frozen for up to 10 years at the pre-renovation value. A property must be a certified historic structure meaning that it must possess one of the following designations:

- a. Listed individually in the National Register of Historic Places
- b. Listed in a National Register historic or landmark district
- c. Listed in a property or district designated as an historic property or district under local law
- d. Included within the boundaries of a certified heritage area

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Note 16. Tax Abatements-continued

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The following table is utilized by the City of Cumberland (and therefore Allegany County) to determine the length of the property tax assessment freeze for approved properties:

Improvement Cost as Percentage of Base  Assessment	Available Tax Exempt Status of Improvement
10%	1 Year
20%	2 Year
30%	2 Year
40%	3 Year
50%	3 Year
60%	4 Year
70%	4 Year
80%	5 Year
90%	6 Year
100%	7 Year
200%	8 Year
300%	9 Year
400%	9 Year
500%	10 Year

The amount of historic tax credit issued by Allegany County for FY 17 was \$ 32,306. The County does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement

Also, Allegany County grants tax credits to several nonprofit organizations that were named in Section 9-302 of the Tax Property Article of the Annotated Code of Maryland.

Note 17. State Income Tax Revenue Repayment Forgiveness

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**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

The County was notified by the State of Maryland (the State) that the State had over allocated state income tax revenue to the County covering a period of several years. The County recorded a long-term liability in the amount of \$ 479,820 and related restatement of net positions at June 30, 2016 in the Governmental Activities section of the government-wide financial statements. On May 25, 2017, the Governor of Maryland approved Senate Bill 397, forgiving the repayment of the \$ 479,820 in overpaid income tax revenue. The \$ 479,820 forgiveness of repayment is reported as miscellaneous revenue in the Governmental Activities section of the FY 17 government-wide financial statements.

**Note 18. Risk Management**

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**Liability Insurance** - The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The County retains no risk for claims up to the maximum amount of the policy except for deductible amounts. During the fiscal year and for the three prior fiscal years, the County did not have any losses exceeding its insurance coverage.

**Self-Insured Health Care** – Effective January 1, 2009, the County is self-insured for hospitalization and medical benefits provided to its employees within specified limits. The County pays a third party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The County has established a Health Insurance Trust Fund, an employee benefit trust fund, used to account for the activity and assets held in trust for the health insurance benefits of its employees.

The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has stop-loss policies in place for individual participant health care claims in excess of \$200,000 per year and aggregate annual participant claims in excess of \$10,009,929.

Third party administrators estimated the non-discounted claims liability reported in the funds at June 30, 2017. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessary result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of claims payable relating to the funds for fiscal year 2017 are as follows:

Balance at July 1, 2016	\$	745,609
Claims and changes in estimates		(272,769)
Claim payments		-
Balance at June 30, 2017	\$	<u>472,840</u>

**Note 19. Pending Claims and Litigation**

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**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

The County is the defendant in several lawsuits in which plaintiffs are seeking to recover amounts from the County as a result of alleged damages incurred by those plaintiffs. Although the outcome of these lawsuits and any other potential proceeding, lawsuit or claim that is pending or threatened are not presently determinable, it is the opinion of the County's legal counsel and County management that resolution of these matters will not have a material effect on the financial condition of the County. At this time, there are no known claims or judgments due within one year.

**Note 20. Contingent Liabilities**

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The County participates in a number of state and federally assisted grant programs, principal of which are the U.S. Department of Agriculture, the U.S. Department of Transportation and the U.S. Department of Housing and Urban Developments economic development and housing assistance grant programs. Entitlement to the grant proceeds is generally based on compliance with the terms and conditions of the grant agreements and applicable regulations, including expenditure of the resources for eligible purposes. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2016 may not have been concluded.

Allegany County has borrowed funds on behalf of the LaVale Sanitary District for the purpose of improvements to sewer and water lines and construction of a water treatment plant and water reservoir. The LaVale Sanitary District is responsible for the debt service payments and County has never been called upon to make any of the direct payments of the conduit debt. As of June 30, 2017, such debt includes loans with the U.S. Department of Agriculture of \$4,566,675.

The State of Maryland's Department of the Environment and Allegany County has entered an agreement setting a timetable for fixing the County's combined sewer and storm water system overflow problem. The cost associated with correcting the problem cannot be reasonably estimated. However those costs will likely be spread over an extended period of years and will be borne by the users of the sewer systems.

**Note 21. Accounting Changes and Restatement of Net Position**

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During FY 16, the County implemented GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The County has a LOSAP program that does not have a trust agreement associated with it and was previously recorded as a fiduciary fund. Therefore, according to GASB Statement No. 73, the value of the investment as of the beginning of FY 16 must be added to the financials, which it was. An additional adjustment was needed in FY 17 to correctly reflect the balance at 6/30/16 in the amount of \$ 204,217.

During FY 17, the County was required by GASB No. 73 to record the net pension liability. The prior year pension liability was recorded as a decrease in fund balance in the amount of \$ 1,886,203.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 21. Accounting Changes and Restatement of Net Position (continued)**

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In summary, the restatements had the following effect on the County's net position and fund balances:

	<b><u>Governmental Activities</u></b>
Net Position at June 30, 2016, as previously stated	\$104,336,537
Adjust LOSAP investment	\$204,217
Record LOSAP Net Pension Liability as of 6/30/16	<u>(\$1,886,203)</u>
Net Position at June 30, 2016, restated	<u>\$102,654,549</u>

	<b><u>General Fund</u></b>
Fund Balance, June 30, 2016, as previously stated	\$25,252,942
Adjust LOSAP investment	<u>\$204,217</u>
Fund Balance, June 30, 2016, as restated	<u>25,457,159</u>

**Note 22. Related Party**

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The Willowbrook Health Center Condominium (the Association) is a statutory condominium association organized for the purposes of operating and maintaining the common property of the Willowbrook Health Center Condominium. The Willowbrook Health Center Condominium consists of four units occupying a site of approximately 4.6 acres located in Cumberland, MD. The Condominium is jointly owned by the Allegany County Commissioners at 46.7 percent and the Western Maryland Health System at 53.3 percent. During FY 17, Allegany County paid \$ 259,209 in fees to the Willowbrook Health Center Condominium. Of this amount, \$ 13,298 in included in accounts payable at year-end.

**Note 23. Subsequent Events**

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On July 1, 2017 the Allegany County Commissioners started a 24 hour emergency medical services operation in the Frostburg Area as a result of a need that had arisen for this service in Frostburg. As a result, Allegany County acquired a building and two ambulances that will be utilized to provide this service. Each ambulance will be staffed with a two person crew on a 24 hour basis utilizing a mix of full-time and part-time employees.

As an offset to these costs Allegany County will bill the associated health insurance for those requiring transport and will also initiate a subscription service for the residents of the Frostburg Area. Allegany County has applied for and received a Medicare provider number in order to charge insurance companies for this service and has retained a medical billing company to assist in billing and processing these charges. The general fund will supplement the billing revenue received to pay for this operation.

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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**ALLEGANY COUNTY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION**

**NON-PENSION POST EMPLOYMENT BENEFITS TRUST (OPEB)-SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	2,439,834	20,046,494	12.20%	17,606,660	\$13,867,239	127.00%
July 1, 2015	2,439,038	14,004,913	17.40%	11,565,875	\$15,993,334	72.30%
June 30, 2017	2,662,273	21,207,922	12.55%	18,545,649	\$16,680,326	111.20%

The County has elected to apply GASB Statement No. 45 prospectively and as a result the liability at transition was \$0.

**LOSAP-SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**Last Ten Fiscal Years \***

	2017
Total Net Pension Liability	
Service Cost	260,811
Interest	71,864
Changes in Benefit terms	-
Differences between expected and actual experience	1
Changes in assumptions, including discount rate	(31,517)
Benefit payments and expenses	(6,820)
Net Change in total pension liability	294,339
Total Net Pension Liability-beginning	1,886,203
Total Net Pension Liability-ending	2,180,542

No covered payroll-plan members are all volunteer fire fighters.

\*This schedule is designed to present information for a 10 year period beginning FY 17. Until a full 10 year trend is compiled, the County will be presenting information only for those years for which information is available.

**SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended	County's Proportion of the net pension liability	County's Proportion of the net pension liability (asset)	County's Covered Payroll	County's share of net pension Liability (asset) as a % of payroll	Plan fiduciary net position as a % of total pension liability
30-Jun					
2015	6.10%	\$10,872,378	14,004,466	77.64%	69.53%
2016	6.98%	14,514,898	13,959,828	103.98%	68.78%
2017	6.85%	16,160,225	15,109,085	106.96%	65.79%

This schedule is presented to illustrate the requirement to show the information for 10 years. 2015 is the first year information is available

**SCHEDULE OF COUNTY'S CONTRIBUTIONS**

Year Ended	Contractually required contribution	Contributions relative to Contractually Req contribution	Contribution Deficiency	County's Covered Payroll	Contributions as a % of covered employee payroll
30-Jun					
2015	1,472,135	\$1,472,135	-	13,959,828	10.55%
2016	1,334,298	1,334,298		15,109,085	8.83%
2017	1,338,202	1,338,202		15,410,092	7.61%

This schedule is presented to illustrate the requirement to show the information for 10 years. 2015 is the first year information is available

**Allegany County**  
**Required Supplementary Information**

**Schedule of Changes in the County's Net Other Post Retirement  
Benefits Liability and Related Ratios-Last Ten Fiscal Years**

	2017
Total OPEB Liability	
Service Cost	361,268
Interest	1,250,947
Change in benefit terms	
Differences between expected and actual experience	
Changes in assumptions, including discount rate	
Benefit payments	(1,235,135)
Net Change in total OPEB Liability	377,080
Total OPEB liability-beginning	23,806,639
Total OPEB liability-ending	24,183,719
Plan fiduciary net position	
Contributions-employer	1,162,096
Contributions-member	90,491
Net investment income	195,770
Benefit payments	(1,235,135)
Administrative expenses	(17,453)
Net change in plan fiduciary net position	195,769
Plan fiduciary net position-beginning	2,466,504
Plan fiduciary net position-ending	2,662,273
Net OPEB liability beginning	21,340,135
Net OPEB liability ending	21,521,446
Fiduciary net position as a percentage of total OPEB liability	11.01%
Covered employee payroll	16,680,326
Net OPEB Liability as a percentage of covered payroll	129%

**Schedule of the County's Other Post Retirement Benefits Contributions-Last Ten Fiscal Years \***

Actuarially determined contribution	1,273,835
Contributions in relation to the actuarially determined contributions	981,229
Contribution deficiency (excess)	292,606
County's covered-employee payroll	16,680,326
Contributions as percentage of covered-employee payroll	5.90%

**Schedule of the County's Other Post Employment Benefits Investment Returns-Last 10 Fiscal Yrs**

Annual money-weighted rate of return, net of investment expense	7.64%
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\*This schedule is designed to present information for a 10 year period beginning with fiscal year 2017  
Until a full 10 year trend is compiled the County will be presenting information only for those years for  
which information is available.

**Allegany County**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

**Note 1: LOSAP Pension Information**

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Fiscal Year End	June 30, 2017
Measurement Date	December 31, 2016
Annual Discount Rate	3.81%-based on 20 year AA general bond rate at 12/31/16. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made at contractually required rates (actuarially determined)
Annual salary increases	Does not apply
Assumed retirement Age	First Eligible
Mortality	Mortality rates are based on 1984 Unisex Pensioners with 1 setback
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Form of Benefit	Monthly benefits at a rate of \$7 multiplied by the years of service, max \$ 105 No changes in benefits during FY 17
Changes in assumptions	None
Assets accumulated in trust	None

**Note 2: Other Post Employment Benefits Information**

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Fiscal Year End	June 30, 2017
Measurement Date	June 30, 2017
Annual Discount Rate	5.31%-the expected trust return of 7% is blended with the 20 year Aa bond rate (Source: Fidelity general obligation municipal bond index) of 3.56%
Annual salary increases	3%
Mortality	RP 2000 gender-specific projected to 2027 with scale BB, for disabled mortality RP2000 disabled gender-specific projected to 2027 with scale BB
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay
Investment Rate of Return	7% net of investment expense and including inflation
Health Care trend rate	7% for 2017, reduced linearly to an ultimate rate of 4.5% in 2022
Changes in assumptions	None

**Note 3: State of Maryland Pension Information**

Changes in assumptions:

Inflation assumption	Changed from 2.95% to 2.7%
Wage inflation assumption	Changed from 3.45% to 3.2%
Salary increases	Changed from 3.45% to 10.7% to 3.3% to 9.2%
Change in Benefit Terms	No change during the fiscal year
Change in Size/Composition of Population	No significant change during the fiscal year

**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
<b>REVENUES</b>				
<u>Taxes:</u>				
Property Taxes:				
Real and personal property	\$ 40,728,935	\$ 40,728,935	\$ 40,913,333	\$ 184,398
Payments in lieu of taxes:				
Coal companies	150,000	150,000	155,373	5,373
Housing Authorities	38,500	38,500	46,240	7,740
Rocky Gap	295,000	295,000	295,000	-
Interest on Delinquent taxes	1,200,000	1,200,000	1,075,825	(124,175)
Sub-total	<u>42,412,435</u>	<u>42,412,435</u>	<u>42,485,771</u>	<u>73,336</u>
Less:				
Prompt payment discounts	185,000	185,000	180,180	4,820
Deferred revenues	500,000	500,000	(109,227)	609,227
Industrial exemptions	100,000	100,000	148,205	(48,205)
Enterprise zone exemptions	140,000	140,000	91,304	48,696
Residential development tax credit	-	-	-	-
Tax increment financing	-	-	14,582	(14,582)
Historic tax credit	65,000	65,000	32,306	32,694
Real estate tax set-aside	-	-	-	-
PILOT abatement	11,400	11,400	21,980	(10,580)
Sub-total	<u>1,001,400</u>	<u>1,001,400</u>	<u>379,330</u>	<u>622,070</u>
Total Net Property Taxes	<u>41,411,035</u>	<u>41,411,035</u>	<u>42,106,441</u>	<u>695,406</u>
Income Taxes	27,149,213	27,149,213	26,435,017	(714,196)
Other Local Taxes:				
Hotel/motel tax	1,024,345	1,024,345	1,092,324	67,979
Admissions	250,000	250,000	234,175	(15,825)
Recordation	1,100,000	1,100,000	1,527,249	427,249
911 Fees	390,000	390,000	375,207	(14,793)
Trailer court	72,000	72,000	64,109	(7,891)
Transfer tax	400,000	400,000	628,188	228,188
Highway users taxes	478,127	478,127	539,372	61,245
Total Local Taxes	<u>3,714,472</u>	<u>3,714,472</u>	<u>4,460,624</u>	<u>746,152</u>
Total Taxes	<u>72,274,720</u>	<u>72,274,720</u>	<u>73,002,082</u>	<u>727,362</u>
Licenses and Permits				
Alcoholic beverage licenses	99,000	99,000	95,966	(3,034)
Amusement licenses	5,000	5,000	3,534	(1,466)
Traders licenses	95,000	95,000	93,458	(1,542)
Occupational licenses	-	-	-	-
Building permits	35,000	35,000	13,660	(21,340)
Marriage licenses	5,500	5,500	4,355	(1,145)
Cable franchise fees	420,000	420,000	447,143	27,143
Sediment control permits	20,000	20,000	14,743	(5,257)
Total Licenses and Permits	<u>679,500</u>	<u>679,500</u>	<u>672,859</u>	<u>(6,641)</u>

Continued

**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
<b>REVENUES (Continued):</b>				
<u>Intergovernmental:</u>				
Federal Funds:				
Homeland security grant	92,556	92,556	140,178	47,622
Civil defense	83,574	83,574	83,441	(133)
FEMA grant	8,250	8,250	130,193	121,943
MTA Transportation planning	80,175	80,175	92,564	12,389
Emergency shelter grant	82,767	82,767	139,027	56,260
Masters program	73,742	73,742	38,431	(35,311)
Payments in lieu of property taxes	7,750	7,750	8,111	361
Sub-total Federal funds	428,814	428,814	631,945	203,131
State Funds:				
Public Health	14,000	14,000	16,006	2,006
Police protection	218,193	218,193	236,298	18,105
State 911 grant	2,000	2,000	-	(2,000)
State transportation planning	10,022	10,022	11,571	1,549
Maryland Department of Environment grant	1,000	1,000	-	(1,000)
Juvenile services grant			13,481	13,481
Department of Natural Resources	225,000	225,000	440,699	215,699
Conservation aid salary	29,895	29,895	29,895	-
Program Open Space grant	80,000	80,000	155,570	75,570
Disparity grant	8,930,611	8,930,611	8,930,611	-
State Jury Reimbursement	50,000	50,000	43,410	(6,590)
Tourism grant	40,000	40,000	59,136	19,136
Governors Office of Crime Control			25,557	25,557
Work Crew Supervisor				-
Miscellaneous	210,252	576,343	689,760	113,417
Sub-total State Funds	9,810,973	10,177,064	10,651,994	474,930
Other Intergovernmental:				
Other agencies	255,000	255,000	178,297	(76,703)
Sub-total Other Intergovernmental:	255,000	255,000	178,297	(76,703)
Total Intergovernmental	10,494,787	10,860,878	11,462,236	601,358

Continued

**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
REVENUES (Continued)				
Service Charges:				
General government charges:				
State civil process	50,000	50,000	47,026	(2,974)
Plans & specifications	5,000	5,000	865	(4,135)
Regulation & Maps			3,061	3,061
Tax sale fees	30,000	30,000	27,106	(2,894)
Election filing fees			50	50
Security interest filing fee	-	-	85	85
License application fees	8,500	8,500	8,210	(290)
Liquor License transfer fee	3,500	3,500	2,820	(680)
Bay restoration collection fee	5,000	5,000	-	(5,000)
Health Ins Admin fee	1,100	1,100	135	(965)
Other general government service charges	5,500	5,500	-	(5,500)
Tourism promotion charges	20,000	20,000	38,109	18,109
Collection fees-special areas	60,000	60,000	56,680	(3,320)
Liquor License Collection fee	3,600	3,600	3,686	86
Hotel/Motel collection fee	20,500	20,500	21,413	913
Partial payment fee	1,750	1,750	2,222	472
Engineering fees	40,000	40,000	111,997	71,997
Indirect cost allocation	675,586	675,586	13,754	(661,832)
Sub-total general government charges	930,036	930,036	337,219	(592,817)
Public safety charges:				
Police protection charges	10,000	10,000	87,650	77,650
Fingerprinting fee	200	200	-	(200)
Zoning Admin Fee	4,000	4,000	8,616	4,616
Jail work release	5,000	5,000	3,812	(1,188)
Boarding state prisoners	25,000	25,000	170,014	145,014
Community service fee	22,000	22,000	9,790	(12,210)
Home detention fee	35,000	35,000	23,670	(11,330)
Inmate Medical Copay	4,000	4,000	6,002	2,002
Building Inspection fees	15,000	15,000	7,719	(7,281)
Ambulance fees	120,000	120,000	119,443	(557)
Sub-total public safety charges	240,200	240,200	436,716	196,516
Sanitation and Waste Removal:				
Landfill fees	192,500	192,500	189,271	(3,229)
Recycling fees	80,000	80,000	134,934	54,934
Recycled material sales	15,000	15,000	12,710	(2,290)
Sub-total Sanitation and Waste	287,500	287,500	336,915	49,415

Continued



**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
<b>REVENUES (Continued):</b>				
<u>Service Charges (continued):</u>				
Public service enterprises:				
Upper Potomac River Commission	410,483	410,483	410,483	-
Road closing fees				-
Sub-total public service charges	410,483	410,483	410,483	-
Total Service Charges	1,868,219	1,868,219	1,521,333	(346,886)
<u>Fines and Forfeitures:</u>				
Circuit court fines	7,000	7,000	4,981	(2,019)
Contraband seizures				-
Liquor violation fines	8,000	8,000	16,750	8,750
Zoning fines	400	400	-	(400)
Fines and forfeitures	10,000	10,000	10,450	450
Total Fines and Forfeitures	25,400	25,400	32,181	6,781
<u>Miscellaneous:</u>				
Interest	172,759	172,759	231,817	59,058
Rents and concessions	357,385	357,385	434,977	77,592
Miscellaneous	201,100	251,100	388,781	137,681
Total Miscellaneous	731,244	781,244	1,055,575	274,331
Total Revenues	86,073,870	86,489,961	87,746,266	1,256,305

**ALLEGANY COUNTY, MARYLAND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<b>EXPENDITURES:</b>	Budgeted Amounts		Actual Amount	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>General Government:</u>				
Legislative:				
County Commissioners	158,225	159,263	161,349	(2,086)
County Commissioners Office	-	-	-	-
Total legislative	158,225	159,263	161,349	(2,086)
Judicial:				
Family Support Services	170,348	183,057	200,801	(17,744)
Alternative dispute resolution	5,388	5,942	6,392	(450)
Circuit court masters program	113,293	114,772	61,733	53,039
Circuit court	351,801	384,384	380,100	4,284
Orphans court	68,221	70,713	68,740	1,973
Family Law Master	77,352	79,312	78,240	1,072
State's attorney	1,439,436	1,467,407	1,486,312	(18,905)
Law library	22,000	22,000	22,000	-
Grand and petit juries	71,130	71,201	69,641	1,560
Total Judicial	2,318,969	2,398,788	2,373,959	24,829
Executive:				
Administrator	322,604	332,185	291,899	40,286
Elections:				
Registration and elections	756,405	762,690	615,389	147,301
Financial Administration:				
Finance Office	600,357	634,113	560,754	73,359
Tax Office	632,555	646,389	328,485	317,904
State Assessment Fee	388,768	388,768	375,713	13,055
Accounting Software	378,520	378,520	361,985	16,535
Professional services	59,000	59,000	75,915	(16,915)
Total Financial Administration	2,059,200	2,106,790	1,702,852	403,938
Legal:				
Legal counsel	208,362	210,176	181,322	28,854
Other legal/professional	108,000	108,000	193,671	(85,671)
Total legal	316,362	318,176	374,993	(56,817)
Personnel Administration:				
Human Resources department	411,243	411,243	300,183	111,060
Human resources board of appeals	3,551	3,551	-	3,551
Wellness/Employee recognition	10,413	10,413	4,688	5,725
Total personnel administration	425,207	425,207	304,871	120,336
Planning and Zoning:				
Planning and zoning department	335,523	340,548	324,226	16,322
Land use planning	-	-	-	-
Total Planning and Zoning	335,523	340,548	324,226	16,322
General Services:				
County Building Maintenance	1,168,468	1,179,964	1,079,918	100,046
Data Processing	315,086	316,926	288,890	28,036
Total general services	1,483,554	1,496,890	1,368,808	128,082
Other general government:				
Liquor control board	116,485	117,627	128,183	(10,556)
Insurance	385,000	385,000	365,484	19,516
Employee benefits	467,500	274,357	133,032	141,325
Post retirement benefits	890,800	890,800	1,000,603	(109,803)
Total Other General Government	1,859,785	1,667,784	1,627,302	40,482
Total General Government	10,035,834	10,008,321	9,145,648	862,673

Continued

**ALLEGANY COUNTY, MARYLAND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amount	(Negative)
<b>EXPENDITURES:</b>				
<b>EXPENDITURES (Continued):</b>				
<u>Public Safety:</u>				
Police:				
Police Department	1,942,344	2,083,204	2,057,834	25,370
Sheriffs department	1,435,895	1,519,160	1,463,844	55,316
C3I Unit	13,000	13,000	21,728	(8,728)
Safe School	119,062	142,149	136,627	5,522
Juvenile review board	76,547	76,547	391	76,156
Drug Seizures-Sheriff			50	(50)
Truancy Prevention	75,347	75,347	2,345	73,002
Coalition Out of School				-
Total Police	3,662,195	3,909,407	3,682,819	226,588
Fire and rescue:				
Emergency medical services	831,616	855,185	1,125,125	(269,940)
Frostburg area ambulance	-	203	19,946	(19,743)
Length of service award	210,000	210,000	6,520	203,480
Volunteer fire companies	1,066,206	1,066,206	1,058,954	7,252
Total Fire	2,107,822	2,131,594	2,210,545	(78,951)
Correction:				
County detention center maintenance	190,556	192,961	191,584	1,377
County detention center	7,367,208	7,459,875	7,710,788	(250,913)
Juvenile service grant	-	-	13,481	(13,481)
Alternative sentencing	187,901	192,490	184,199	8,291
Home detention grant	154,089	156,250	146,168	10,082
Total Correction	7,899,754	8,001,576	8,246,220	(244,644)
Other Protection:				
Permits & enforcement	263,914	267,056	253,627	13,429
Emergency Management Agency	246,197	249,851	192,305	57,546
Local emergency planning	1,000	1,000	1,500	(500)
Animal control	360,918	360,918	361,318	(400)
911	2,409,730	2,417,436	2,690,791	(273,355)
Hazardous materials operations	69,513	69,513	57,284	12,229
Public safety department	135,065	138,700	145,818	(7,118)
Domestic preparedness grant	92,556	92,556	120,458	(27,902)
Building Codes	59,346	59,346	32,253	27,093
Code Enforcement	84,931	85,792	58,300	27,492
Flood control	-	-	1,374	(1,374)
Transportation planning	110,749	113,702	67,238	46,464
Total Other Protection	3,833,919	3,855,870	3,982,266	(126,396)
Total Public Safety	17,503,690	17,898,447	18,121,850	(223,403)
<u>Public Works:</u>				
Public Services:				
Highway department	7,875,306	8,232,657	7,762,822	469,835
Airport	230,000	230,000	230,000	-
Waste collection:				
Solid waste disposal	400,742	401,418	361,092	40,326
Solid waste recycling	181,230	215,876	173,449	42,427
UPRC	513,104	513,104	521,305	(8,201)
County engineer	952,558	955,027	887,651	67,376
Total Public Works	10,152,940	10,548,082	9,936,319	611,763

Continued

**ALLEGANY COUNTY, MARYLAND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amount	(Negative)
<b>EXPENDITURES:</b>				
<b>EXPENDITURES (Continued):</b>				
<u>Health and Hospitals:</u>				
Brook Building	154,250	154,250	129,290	24,960
Willowbrook Office	299,350	299,350	259,209	40,141
Health Department supplemental	28,252	28,252	26,656	1,596
Western Maryland Health Planning	9,500	9,500	10,339	(839)
HRDC-SCOF Grant				-
Total Health and Hospitals	491,352	491,352	425,494	65,858
<u>Social Services:</u>				
Nursing Home costs	280,000	280,000	175,844	104,156
Pauper's burials	1,300	1,300	-	1,300
Human Resources Devel. Comm.	744,946	744,946	744,946	-
Emergency shelter grant	82,767	82,767	139,027	(56,260)
Child abuse coordinator	126,998	128,036	127,991	45
Family Crisis Center	88,880	88,880	88,880	-
Food distribution to the needy	-	-	-	-
Total Social Services	1,324,891	1,325,929	1,276,688	49,241
<u>Recreation and Culture:</u>				
Agriculture Expo	13,000	13,000	13,000	-
Allegany County Arts Council	35,000	35,000	35,000	-
Allegany County fair	483,932	485,146	522,782	(37,636)
Highland trail operations	98,590	98,590	82,697	15,893
Cumberland Summer Theatre	12,000	12,000	12,000	-
Program Open Space	80,000	80,000	129,566	(49,566)
Total Recreation and Culture	722,522	723,736	795,045	(71,309)
<u>Conservation of Natural Resources:</u>				
Agricultural Extension Service	150,329	150,329	149,262	1,067
Soil conservation services	107,043	108,166	108,415	(249)
Gypsy moth control	10,000	10,000	6,000	4,000
Total Conservation of Natural Resources	267,372	268,495	263,677	4,818
<u>Community Development &amp; Housing</u>				
Allegany Co. Public Housing Authority	8,000	8,000	8,000	-
Total Community Development & Housing	8,000	8,000	8,000	-
<u>Economic Development:</u>				
Department of Economic Development	247,177	256,134	309,416	(53,282)
Scenic railroad development	140,000	140,000	140,000	-
Tri-County Council	40,000	40,000	40,000	-
Tourism department	542,515	542,515	484,961	57,554
Toll House	2,650	2,650	469	2,181
Thrasher Museum	15,000	15,000	23,967	(8,967)
Community promotion	14,000	14,000	8,562	5,438
Canal Place Preservation	-	-	-	-
Total Economic Development	1,001,342	1,010,299	1,007,375	2,924

(continued)

**ALLEGANY COUNTY, MARYLAND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amount	(Negative)
<b>EXPENDITURES:</b>				
<b>EXPENDITURES (Continued):</b>				
<u>Appropriations to Other Governmental Units:</u>				
Grants in Lieu of Taxes	28,704	28,704	28,704	-
Health Department	1,462,385	1,462,385	1,447,685	14,700
Department of Social Services	9,800	9,800	19,600	(9,800)
Total Appropriations to Other Gov't Units:	1,500,889	1,500,889	1,495,989	4,900
<u>Miscellaneous:</u>				
Miscellaneous	66,544	66,544	44,631	21,913
Total Miscellaneous	66,544	66,544	44,631	21,913
<u>Payments to Component Units</u>				
Allegany Co. Board of Education	30,169,985	30,169,985	30,169,985	-
Allegany College	7,630,550	7,630,550	7,630,550	-
Allegany County Library	956,975	956,975	956,975	-
Information Technology	179,716	179,716	182,712	(2,996)
Total payments to component units	38,937,226	38,937,226	38,940,222	(2,996)
Total Expenditures	82,012,602	82,787,320	81,460,938	1,326,382
Excess (deficiency) of revenues over (under) expenditures	4,061,268	3,702,641	6,285,328	2,582,687
<b>OTHER FINANCING SOURCES (USES)</b>				
<u>Unexpended balance - prior years</u>	150,000	1,533,038	-	(1,533,038)
<u>Transfers In from other funds:</u>				
Transfers from special revenue funds			-	-
Transfers from Debt Service Fund			-	-
Transfers from enterprise funds	28,608	28,608	21,375	(7,233)
Total Transfers In	28,608	28,608	21,375	(7,233)
<u>Operating Transfers to Other Funds:</u>				
Special revenue funds:				
Transit Fund	(309,733)	(311,154)	(349,192)	(38,038)
Housing & Section 8 fund	-	-	-	-
Narcotics Task Force	(6,500)	(6,500)	-	6,500
Gaming fund	-	(1,036)	-	1,036
RBF	-	-	-	-
Debt service Fund:				
From General government	(2,999,359)	(2,999,359)	(2,543,359)	456,000
From Bureau of Police				-
Capital Projects Fund				
Pay-Go Fund	(792,500)	(798,500)	(528,500)	270,000
Capital Projects Fund		(1,000,000)	(1,325,000)	(325,000)
Enterprise funds:				
Allconet	(50,000)	(50,000)	(50,000)	-
Sanitary fund/Water fund	(91,784)	(107,738)	(94,861)	12,877
Total operating transfers to other funds	(4,249,876)	(5,274,287)	(4,890,912)	383,375
<u>Sale of capital assets</u>	10,000	10,000	13,706	3,706
Total Other Financing Sources and Uses	(4,061,268)	(3,702,641)	(4,855,831)	(1,153,190)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	1,429,497	\$ 1,429,499
Fund balance, beginning, restated			25,457,159	
Fund balance, ending			\$ 26,886,656	

**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
REVOLVING BUILDING FUND SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Miscellaneous	\$ 3,423,962	\$ 3,423,962	\$ 3,327,500	\$ (96,462)
Total Revenues	<u>3,423,962</u>	<u>3,423,962</u>	<u>3,327,500</u>	<u>(96,462)</u>
<b>EXPENDITURES</b>				
Economic development	14,743,249	14,743,249	2,562,969	12,180,280
Total Expenditures	<u>14,743,249</u>	<u>14,743,249</u>	<u>2,562,969</u>	<u>12,180,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,319,287)</u>	<u>(11,319,287)</u>	<u>764,531</u>	<u>12,083,818</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Unexpended balance - prior years	12,355,881	12,355,881	-	(12,355,881)
Transfers to other funds	(1,036,594)	(1,036,594)	(1,450,044)	(413,450)
Sale of capital assets	-	-	-	-
Total Other Financing Sources and Uses	<u>11,319,287</u>	<u>11,319,287</u>	<u>(1,450,044)</u>	<u>(12,769,331)</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	<u>(685,513)</u>	\$ <u>(685,513)</u>
Fund balance, beginning			9,054,651	
Fund balance, ending			<u>\$ 8,369,138</u>	

**Notes to Required Supplementary Information**

**June 30, 2017**

**Budgetary Basis**

Annual budgets are adopted for the General and all Special Revenue Funds which include the major funds presented in the Required Supplementary Information. All governmental fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred.

**ALLEGANY COUNTY, MARYLAND  
BUDGETARY COMPARISON SCHEDULE  
PUBLIC IMPROVEMENT BOND FUND-CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Federal			356,894	356,894
State			296,951	296,951
Interest	\$ -	\$ -	61,055	61,055
Total Revenues	<u>-</u>	<u>-</u>	<u>714,900</u>	<u>714,900</u>
<b>EXPENDITURES</b>				
Capital Outlay-General Govt			102,461	(102,461)
Capital Outlay-Public Safety		1,000,000	6,212,464	(5,212,464)
Capital Outlay-Public Works			1,494,855	(1,494,855)
Capital Outlay-Education			200	(200)
Payments to Component Units			-	-
Total Expenditures	<u>-</u>	<u>1,000,000</u>	<u>7,809,980</u>	<u>(6,809,980)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,000,000)</u>	<u>(7,095,080)</u>	<u>(6,095,080)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Unexpended balance - prior years			-	-
Transfer from other funds		1,000,000	1,000,000	-
Debt issued-Bond Proceeds			9,000,000	9,000,000
Total Other Financing Sources and Uses	<u>-</u>	<u>1,000,000</u>	<u>10,000,000</u>	<u>9,000,000</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	<u>2,904,920</u>	\$ <u>2,904,920</u>
Fund balance, beginning			11,623,278	
Fund balance, ending			<u>\$ 14,528,198</u>	

## FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

County Commissioners of Allegany County  
701 Kelly Road, Suite 205  
Cumberland, Maryland 21502

Dear Commissioners:

We are serving as bond counsel to County Commissioners of Allegany County, Maryland (the “County”), a body politic and corporate and a political subdivision of the State of Maryland, in connection with the issuance of its \$10,905,000\* Public Improvement Bonds of 2018 (the “Bonds”), which are described below.

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for purposes of this opinion, including, without limitation, the Bonds and a record of proceedings of the County related to the issuance of the Bonds, which is described below. We have relied on a Tax and Section 148 Certificate, including all Schedules and Exhibits attached thereto, of even date herewith, executed by the County in connection with the Bonds, with respect to certain material facts within the knowledge of the County.

The Bonds are dated the date of delivery thereof, with interest payable July 15, 2019 and semiannually thereafter on July 15 and January 15; are issued under the authority of Sections 19-501 to 19-510, inclusive, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, 2017 Supplement) (the “Enabling Act”) and by virtue of due proceedings had and taken by the Board of County Commissioners of Allegany County, particularly a public local law enacted by the County Commissioners on October 4, 2018 (Bill No. 5-18) (the “Public Local Law”), and a resolution (Resolution No.18-35) adopted on November 29, 2018 (the “Resolution”); and bear interest and mature as set forth in the Bonds, the Public Local Law and the Resolution.

With respect to the executed and authenticated Bonds that we have examined, based on the foregoing, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The County is a validly created and existing body politic and corporate and a political subdivision of the State of Maryland, possessing authority under the Enabling Act and the Public Local Law to issue the Bonds.

(b) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable from ad valorem taxes, unlimited as to rate and amount, which the County is empowered to levy on all real and tangible personal property within its corporate limits subject to assessment for unlimited County taxation.

(c) To provide for the payment of the principal of and interest on the Bond, the County has, by the adoption of the Public Local Law, covenanted to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) Under existing law, the principal of and interest on the Bonds will be exempt from State of Maryland and local taxes, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

(e) Interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds. These include a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances and other requirements applicable to the investment of the proceeds of the Bonds and the facilities financed with the proceeds of such Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable

on the Bonds in gross income for federal income tax purposes, effective from the date of its issuance. The County has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(f) Interest on the Bonds will not be an item of tax preference for purposes of the alternative minimum taxable income of individuals. For tax years beginning on or before December 31, 2017, interest on the Bonds is not an item of tax preference for purposes of the corporate alternative minimum tax as in effect prior to the enactment of the Tax Cuts and Jobs Act; however, because of its inclusion in “adjusted current earnings” of a corporate holder, interest income on the Bonds may be indirectly subject to the alternative minimum tax in tax years beginning on or before December 31, 2017.

Original issue premium on a Bond issued at an issue price that exceeds its principal amount is amortizable periodically over the term of such Bond through reductions in the holder’s tax basis for such Bond for determining taxable gain or loss from sale or from redemption prior to maturity; amortization of premium does not create deductible expense or loss.

The opinions expressed in this letter are subject to the following qualifications:

1. We express no opinion as to the laws of any jurisdiction other than the substantive laws (excluding principles of conflict of laws) of the State of Maryland and the substantive federal laws of the United States of America.
2. Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.
3. The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights heretofore or hereafter enacted to the extent applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.
4. We express no opinion herein as to the accuracy, adequacy or completeness of any offering material relating to the Bonds.

The opinions expressed above are limited to the matters expressed above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,



**THE BONDS WILL NOT BE DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS”  
PURSUANT TO SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986.**

**NOTICE OF SALE**

**\$10,905,000\*  
ALLEGANY COUNTY  
GENERAL OBLIGATION BONDS  
PUBLIC IMPROVEMENT BONDS OF 2018**

**(Dated Date of Delivery)**

Electronic bids via ***BiDCOMP/Parity***® will be received until 11:00 A.M. local Cumberland, Maryland time on Friday, December 14, 2018, at the offices of the Director of Finance of Allegany County (the “**Director of Finance**”), located at the County Office Building, 701 Kelly Road, Cumberland, Maryland 21502, for the purchase of the \$10,905,000\* Public Improvement Bonds of 2018 (the “**Bonds**”). The Bonds will be dated the date of delivery, and bear interest payable semi-annually beginning on July 15, 2019 and thereafter on the fifteenth days of July and January until maturity or redemption.

**The Bonds**

The Bonds will be issued under the authority of Sections 19-501 through 19-510, inclusive, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, 2017 Supplement) (the “**Enabling Act**”), a Public Local Law (Bill No. 5-18) (the “**Public Local Law**”) enacted by the County Commissioners of Allegany County (the “**County**”) on October 4, 2018 and a Resolution of the County adopted on November 29, 2018 (the “**Resolution**”).

The Bonds will be dated the date of delivery, and shall mature, subject to prior redemption as hereinafter provided, in annual serial installments on July 15 in each of the years 2019 through 2038, inclusive, as follows:

<b>Maturing <u>July 15</u></b>	<b>Principal <u>Amount</u></b>	<b>Maturing <u>July 15</u></b>	<b>Principal <u>Amount</u></b>
2019	\$315,000	2029	\$565,000
2020	360,000	2030	585,000
2021	380,000	2031	605,000
2022	400,000	2032	625,000
2023	420,000	2033	645,000
2024	440,000	2034	665,000
2025	460,000	2035	690,000
2026	485,000	2036	715,000
2027	510,000	2037	740,000
2028	535,000	2038	765,000

The proceeds of sale of the Bonds shall be used and applied, subject to the terms and conditions of the Enabling Act, the Public Local Law and the Resolution, for the public purposes of financing or refinancing, in whole or in part, the costs associated with improvements to facilities at the Allegany College of Maryland and other County facilities, County bridges together with equipment and facilities for the County roads department, emergency medical equipment and vehicles, and a renovation of the LaVale Library, together with any appurtenant furnishings, fixtures and equipment, the acquisition and development of land and property rights and site improvements and architectural, design, engineering, planning, fiscal and legal expenses related thereto, whether or not specifically stated, and which may represent the County’s share or contribution to the financing or refinancing of such projects, together with the costs of issuing the Bonds.

## General Provisions for the Bonds

The Bonds shall be issued only in fully-registered form without coupons. One bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity of the Bonds with DTC. The Bonds will bear interest payable semiannually on the fifteenth days of July and January, commencing July 15, 2019, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar (the “**Bond Register**”) on the Regular Record Date, which is the first day of the month immediately preceding the month in which each such interest payment date occurs, by electronic funds transfer or by check or draft mailed to each such person's address as it appears on the Bond Register.

The Bonds maturing on or after July 15, 2029 are subject to redemption prior to their respective maturities at the option of the County on or after July 15, 2028 either as a whole or in part at any time, in any order of maturities, at option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds of any maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar in such manner as in its discretion, it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portions to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.

The full faith and credit and unlimited taxing power of the County are unconditionally pledged to the prompt payment of the Bonds and of the interest to accrue thereon. The Bonds are payable from the proceeds of *ad valorem* taxes which the County is empowered to levy upon all real and tangible personal property within the boundaries of the County subject to assessment for unlimited County taxation.

## Electronic Bids

Electronic bids will be received via ***BidCOMP/Parity***®, in the manner described below, until 11:00 a.m. local Cumberland, Maryland time, on Friday, December 14, 2018.

Bids may be submitted electronically via ***BidCOMP/PARITY***® pursuant to this Notice of Sale until 11:00 A.M., local Cumberland, Maryland time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in ***BidCOMP/PARITY***® conflict with this notice, the terms of this Notice of Sale shall control. For further information about ***BidCOMP/PARITY***®, potential bidders may contact ***BidCOMP/PARITY***® at (212) 806-8304.

## Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via ***BidCOMP/PARITY***® as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access ***BidCOMP/PARITY***® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor ***BidCOMP/PARITY***®, shall have any duty or obligation to provide or assure access to ***BidCOMP/PARITY***® to any prospective bidder, and neither the County nor ***BidCOMP/PARITY***® shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, ***BidCOMP/PARITY***®. The County is using ***BidCOMP/PARITY***® as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of ***BidCOMP/PARITY***®.

to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via ***BiDCOMP/PARITY***® are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone ***BiDCOMP/PARITY***® at (212) 806-8304 and notify the County’s financial advisor, Jennifer Dierksen at Davenport & Company LLC by facsimile at (866) 932-6660.

### **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds (all or none) via ***BiDCOMP/PARITY***®. Bids will be communicated electronically to the County at 11:00 A.M., local Cumberland, Maryland time, on Friday December 14, 2018, unless postponed as described herein. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via ***BiDCOMP/PARITY***®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless a bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via ***BiDCOMP/PARITY***® to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on ***BiDCOMP/PARITY***® shall constitute the official time.

### **Bid Specifications**

**BIDDERS MUST SUBMIT BIDS FOR ALL OF THE BONDS. ANY BIDS FOR LESS THAN ALL OF THE BONDS SHALL BE REJECTED BY THE COUNTY. THE COUNTY RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.**

Bidders shall state in their bids the amount bid for the Bonds, which amount shall not be less than 100% of par or more than 115% of par. Bidders shall state in their bids the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each bid shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds, but the difference between the highest and lowest rates named may not be greater than three percent (3%). Bidders may not specify more than one rate of interest any single maturity of the Bonds. A zero rate may not be named for any maturity of the Bonds. The maximum rate of interest permitted for any maturity of the Bonds is 5%. The Bonds will be awarded to the bidder naming the lowest true interest cost for all Bonds in any legally acceptable bid and offering to pay not less than 100% of the principal amount of the Bonds nor more than 115% of the principal amount of the Bonds, and accrued interest (if applicable). The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery (if applicable). Where the bids of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the County shall have the right to award all of the Bonds to one bidder. The right is reserved to the County to reject any or all bids and to waive any irregularity or informality in any bid. The County’s judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 5:00 P.M. on the sale date. All bids remain firm until an award is made.

*Good Faith Deposit.* The successful bidder is required to submit a good faith deposit for the Bonds of \$109,050 (the “**Deposit**”) to the County upon initial notification of the award of the Bonds to the successful bidder. The Deposit will be in the form of a wire transfer and must be received by the County prior to 3:00 P.M. (local time) on the date of the receipt of the bids. Such payment will be security for compliance with the terms of the notice of sale. The County will provide wire instructions to the successful bidder(s) during the initial notification of the award of the Bonds.

As an alternative to the foregoing, a bidder may deliver to the County, at the address set forth above, prior to 11:00 A.M. (local time) on the date of sale a certified check upon, or a cashier's or treasurer's or official check of, a responsible banking institution, payable to "County Commissioners of Allegany County" for the amount of the Deposit. If a check is submitted by a successful bidder, such check will be deposited and collected.

The good faith deposit of the successful bidder will be retained by the County to be applied in part payment for the Bonds, and no interest will be allowed upon the amount thereof. IN THE EVENT THAT THE SUCCESSFUL BIDDER SHALL FAIL TO COMPLY WITH THE TERMS OF THE BID, THE PROCEEDS OF DEPOSIT AND ANY INVESTMENT INCOME THEREON WILL BE RETAINED AS AND FOR FULL LIQUIDATED DAMAGES. The checks, if any, of the unsuccessful bidders will be returned promptly after the Bonds are awarded.

It is noted that the County has the right to award the Bonds by private negotiation at any time and may determine to exercise such right either before bids are submitted in response to this Notice of Sale or in the event that all bids are rejected. The County may so negotiate with, and make such award to, any person, including bidders hereunder.

*Procedures for Sale and Principal Amount Changes:* The Preliminary Aggregate Principal Amount of the Bonds and the Preliminary Principal Amount of each maturity of the Bonds as set forth in this Notice of Sale (collectively, the "Preliminary Amounts") are expected to be revised before the receipt and opening of sealed bids for their purchase. The Revised Aggregate Principal Amount of the Bonds and the Revised Principal Amount of each maturity of the Bonds (collectively, the "Revised Amounts") will be published on TM3 News Service ("TM3") not later than 9:30 A.M., local Cumberland, Maryland time on the date of sale or as soon thereafter as is reasonably practicable. In the event that no revisions are made or that such revisions are not published on TM3 before 9:30 A.M., local Cumberland, Maryland time on the date of sale, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder or bidders.

As promptly as reasonably practicable after the bids are opened, the County will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the City of the initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The Initial Reoffering Prices, among other things, will be used by the County to calculate the Final Aggregate Principal Amount of the Bonds and the Final Principal Amount of each maturity of the Bonds (collectively, the "Final Amounts"). THE COUNTY EXPECTS THAT THE REVISED AMOUNTS OF THE BONDS WILL BE CHANGED AS NECESSARY TO EFFECT THE GREATEST ECONOMIC ADVANTAGE, BUT WILL NOT DECREASE OR INCREASE THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS BY MORE THAN 15% FROM THE AMOUNT BID UPON. A SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS OF THE BONDS WITHIN THESE LIMITS. The Final Amounts of the Bonds will be communicated to the successful bidder by 5:00 P.M., local Cumberland, Maryland time on the date of sale. The dollar amount of the discount or premium, if any, specified in the bid of the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of the Bonds. The successful bidder shall pay the Final Aggregate Principal Amount of the Bonds less the discount or plus the premium (as the amount of such discount or premium may be adjusted as described above), if any, set forth in its electronic bid, plus accrued interest to the date of delivery (if applicable). The interest rates specified by the successful bidder for each maturity of the Bonds in its electronic bid will not change. ALL BIDS REMAIN FIRM UNTIL 5:00 P.M., LOCAL CUMBERLAND, MARYLAND TIME ON THE DATE OF SALE. An award of the Bonds pursuant to this Notice of Sale, if made, will be made by the County within such period of time.

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County.

The Bonds will be issued and sold subject to approval as to legality by DLA Piper LLP (US), Bond Counsel. Copies of the legal opinion, substantially in the form included in the Preliminary Official Statement, will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

CUSIP numbers for the Bonds will be applied for by the Financial Advisor, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the County will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("**Reoffering Information**"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder for the Bonds shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 100 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the County to the purchaser or purchasers on or about Friday, December 21, 2018, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the County and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the President of the Board of County Commissioners and/or Director of Finance to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

### **Issue Price Determination**

The County expects and intends that the bid for the Bonds will satisfy the federal tax requirements for a qualified competitive sale of bonds, including, among other things, receipt of bids for the Bonds from at least three (3) underwriters who have established industry reputations for underwriting new issuances of municipal bonds (a "**Qualified Competitive Bid**"). The County Director of Finance will advise the successful bidder as promptly as possible after the bids are opened whether the bid qualifies as a Qualified Competitive Bid or, alternatively, as a bid that fails to satisfy those requirements (a "**Nonqualified Competitive Bid**").

If the bid is a Qualified Competitive Bid, as promptly as possible after the bids are opened, the Director of Finance will notify the successful bidder, and such bidder, upon such notice, shall advise the Director of Finance of the reasonably expected Initial Reoffering Price, as applicable, of each maturity of the Bonds. In addition, the successful bidder shall be required to provide to the County information to establish the initial expected offering prices for each maturity of the Bonds for federal income tax purposes by completing a certificate acceptable to Bond Counsel, on or before the date of issuance of the Bonds, substantially in the form set forth in Appendix D to the Preliminary Official Statement, with appropriate completions, amendments and attachments.

If the bid is a Nonqualified Competitive Bid, as promptly as possible after the bids are opened, the Director of Finance will notify the successful bidder, and such bidder, upon such notice, shall advise the Director of Finance of the initial sale price or Initial Reoffering Price, as applicable, of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the County information and assurances to establish the initial sale price or initial offering price to the public, as applicable, for each maturity of the Bonds for federal income tax purposes by completing a certification acceptable to Bond Counsel in substantially the form set forth in Appendix E to the Preliminary Official Statement, with appropriate completions, omissions and attachments. It is noted that procedures for a Nonqualified Competitive Bid may require the successful bidder and, if applicable, other underwriters for the Bonds, to hold the initial offering prices for certain maturities of the Bonds for up to five (5) business days after the sale date, as further specified in the form of such certification.

NOTE: The County may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time for submission of bids or by publishing notice of any revisions on TM3 News Service (“**TM3**”) at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 by notice given not later than 1:00 P.M., local Cumberland, Maryland time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any Alternative Sale Date will be announced via TM3 News Service at least 48 hours prior to such Alternative Sale Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent Alternative Sale Date. If all bids are rejected and an Alternative Sale Date for receipt of bids established, notice of the Alternative Sale Date will be announced via TM3 News Service not less than 48 hours prior to such Alternative Sale Date. On any such Alternative Sale Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced by TM3 News Service at the time the sale date and time are announced.

In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall be required to notify promptly the Director of Finance at the time of sale of such event and shall provide the Director of Finance with any information he reasonably requests regarding such bond insurance including the amounts paid for such insurance. The County will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of bond regarding the insurance policy upon receipt of such opinions or certificates as the County reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the insurance policy with respect to the Bonds. The County shall have no obligation to provide the successful bidder or the bond insurance company with any other documents or opinions relating to the Bonds.

The Preliminary Official Statement, together with this Notice of Sale, may be obtained from the Director of Finance, 701 Kelly Road, Suite 205, Cumberland, Maryland 21502-3401 or from the County’s financial advisor, Jennifer Dierksen at Davenport & Company LLC, 8600 LaSalle Road, Suite 618, Towson, Maryland, 21286 (410) 296-9426. Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

FORM OF ISSUE PRICE CERTIFICATE  
FOR QUALIFIED COMPETITIVE BID

\$\_\_\_\_\_\*

ALLEGANY COUNTY  
GENERAL OBLIGATION BONDS  
PUBLIC IMPROVEMENT BONDS OF 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of each series of the Bonds to the Public by [SHORT FORM NAME OF WINNING BIDDER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of each series of the Bonds used by [SHORT FORM NAME OF WINNING BIDDER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT FORM NAME OF WINNING BIDDER] to purchase the Bonds.

(b) [SHORT FORM NAME OF WINNING BIDDER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT FORM NAME OF WINNING BIDDER] constituted a firm bid to purchase the Bonds.

2. ***Defined Terms.***

(a) *County* means Allegany County, Maryland.

(b) *Maturity* means Bonds of a series with the same credit and payment terms. Bonds of a series with different maturity dates, or Bonds of a series with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is December 14, 2018.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the County with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by DLA Piper LLP (US), as Bond Counsel to the County in connection with rendering its opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the County from time to time relating to the Bonds.

[NAME OF WINNING BIDDER],

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2018



SCHEDULE A

Expected Initial Offering Prices of the Bonds

[INSERT]

SCHEDULE B

Copy of Bid

[See Attached]

FORM OF ISSUE PRICE CERTIFICATE FOR  
NONQUALIFIED COMPETITIVE BID

\$ \_\_\_\_\_ \*  
**ALLEGANY COUNTY**  
**GENERAL OBLIGATION BONDS**  
**PUBLIC IMPROVEMENT BONDS OF 2018**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), [on behalf of itself and [NAMES OF MEMBERS OF THE UNDERWRITING SYNDICATE] (together, the “Underwriting Syndicate”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by [SHORT FORM NAME OF WINNING BIDDER] [THE UNDERWRITING SYNDICATE] to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT FORM NAME OF WINNING BIDDER] [THE MEMBERS OF THE UNDERWRITING SYNDICATE] offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the [SHORT FORM NAME OF WINNING BIDDER] [MEMBERS OF THE UNDERWRITING SYNDICATE] [has] [have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to the foregoing, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities [of each series] of the Bonds shown in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities [of each series] of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT FORM NAME OF WINNING BIDDER] [the UNDERWRITING SYNDICATE] [has] [have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *County* means Allegany County, Maryland.

(e) *Maturity* means Bonds of a series with the same credit and payment terms. Bonds of a series with different maturity dates, or Bonds of a series with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 14, 2018.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the County with respect to certain of the representations set forth in the Tax and Section 148 Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by DLA Piper LLP (US), as Bond Counsel to the County, in connection with rendering its opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the County from time to time relating to the Bonds.

[NAME OF WINNING BIDDER], as

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2018

SCHEDULE A

Sale Prices of the General Rule Maturities

[INSERT]

Initial Offering Prices of the Hold-The-Offering-Price Maturities

[INSERT]

SCHEDULE B

Copy of Bid

[See Attached]