

PRELIMINARY OFFICIAL STATEMENT DATED JULY 11, 2018

NEW ISSUE – BOOK ENTRY ONLY

In the opinion of McGuireWoods LLP, Bond Counsel, based on existing law and subject to conditions described in the section herein entitled “TAX MATTERS,” interest on the Bonds (including any accrued “original issue discount” properly allocable to the owners of the Bonds) is excludable from the gross income of the owners of the Bonds for Federal income tax purposes and interest on the Bonds is not treated as a preference item for purposes of the Federal alternative minimum tax. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See the information contained herein under the caption “TAX MATTERS.”

**CALVERT COUNTY, MARYLAND
GENERAL OBLIGATION BONDS**

\$26,565,000*

**COUNTY COMMISSIONERS OF CALVERT COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, 2018 SERIES**

Dated: Date of Initial Delivery

Due: as shown on inside front cover

Bond Ratings	Fitch Ratings: AAA Moody’s Investors Service, Inc.: Aaa S&P Global Ratings: AAA
Redemption	Bonds maturing on or after July 1, 2029 are redeemable in whole or in part, on or after July 1, 2028 – Page 2.
Security	General Obligations of County Commissioners of Calvert County.
Purpose	The proceeds are being used to finance certain public improvements – Page 4.
Interest Payment Dates	Semiannually on each January 1 and July 1, beginning January 1, 2019.
Closing/Settlement	On or about August 7, 2018
Denominations	\$5,000
Book-Entry-Only Form	The Depository Trust Company, New York, NY
Bond Registrar/Paying Agent	Manufacturers and Traders Trust Company, Buffalo, NY
Bond Counsel	McGuireWoods LLP, Baltimore, MD
Financial Advisor	Davenport & Company LLC, Towson, MD
Issuer Contact	Calvert County Director of Finance and Budget: (410) 535-1600

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered for delivery when, as and if issued, subject to the approving legal opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel and other conditions specified in the official Notice of Sale. The Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about August 7, 2018.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The date of this Official Statement is _____, 2018

*Preliminary, subject to change.

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.

\$26,565,000*

**COUNTY COMMISSIONERS OF CALVERT COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, 2018 SERIES**

<u>Maturing July 1</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP</u>	<u>Maturing July 1</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP</u>
2019.....	\$1,220,000				2032.....	\$2,270,000			
2020.....	1,270,000				2033.....	2,340,000			
2021.....	1,320,000				2034.....	50,000			
2022.....	1,385,000				2035.....	50,000			
2023.....	1,460,000				2036.....	50,000			
2024.....	1,535,000				2037.....	55,000			
2025.....	1,615,000				2038.....	55,000			
2026.....	1,700,000				2039.....	55,000			
2027.....	1,785,000				2040.....	60,000			
2028.....	1,875,000				2041.....	60,000			
2029.....	1,975,000				2042.....	65,000			
2030.....	2,070,000				2043.....	65,000			
2031.....	2,180,000								

* 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 July 24, 2018. The prices or yields shown above are furnished by the successful bidder. All other information concerning the terms of reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the County (see "SALE AT COMPETITIVE BIDDING" 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.

COUNTY COMMISSIONERS OF CALVERT COUNTY

CERTAIN ELECTED OFFICIALS

Evan K. Slaughenhaupt Jr.
President, Board of County Commissioners

Tom Hejl
Vice President, Board of County Commissioners

Steven R. Weems
Commissioner

Pat Nutter
Commissioner

Mike Hart
Commissioner

Nova (Novalea) Tracy-Soper
Treasurer

CERTAIN APPOINTED OFFICIALS

Terry L. Shannon
County Administrator

Wilson Parran
Deputy County Administrator

Timothy Hayden
Director of Finance and Budget

J. Mark Willis
Director of Planning and Zoning

Kelly Robertson-Slagle
Director of Economic Development

Linda S. Vassallo
Director of Communications & Media Relations

P. Rai Sharma
Director of Public Works

BOND COUNSEL
McGuireWoods LLP
Baltimore, Maryland

FINANCIAL ADVISOR
Davenport & Company LLC
Towson, Maryland

INDEPENDENT AUDITOR
SB & Company, LLC
Hunt Valley, Maryland

PAYING AGENT AND BOND REGISTRAR
Manufacturers and Traders Trust Company
Buffalo, New York

Requests for additional copies of this Official Statement or any questions regarding this Official Statement or the Bonds should be directed to Timothy Hayden, Director of Finance and Budget, Court House 175 Main Street, Prince Frederick, Maryland 20678, (410) 535-3065 or to Jennifer Diercksen, at Davenport & Company LLC, 8600 LaSalle Road, Suite 618, The Oxford Bldg. Towson, Maryland 21286, (410) 296-9426.

No dealer, broker, salesman or other person has been authorized by the County Commissioners of Calvert County (the “County”) or the successful bidder to give any information or to make any representations 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 any 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 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. Either 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.

SUMMARY OF OFFERING

IssuerCounty Commissioners of Calvert County.

Bonds\$26,565,000* County Commissioners of Calvert County Consolidated Public Improvement Bonds, 2018 Series.

Interest Payment Dates.....Semiannually on each January 1 and July 1, beginning January 1, 2019 until maturity or prior redemption.

Redemption.....Bonds maturing on or after July 1, 2029 are subject to redemption as a whole or in part at any time on and after July 1, 2028, at the option of the County, at a redemption price of 100% of the principal amount thereof, plus accrued interest, as set forth herein under the caption “THE BONDS – Redemption of Bonds.”

Federal and Maryland Income Tax... Exemption Information as to the tax status of the Bonds may be found in the section of this Official Statement captioned “TAX MATTERS”.

*Preliminary, subject to change.

**SYNOPOSIS OF STATISTICAL DATA
PERTAINING TO
COUNTY COMMISSIONERS OF
CALVERT COUNTY**

As of June 30, 2017

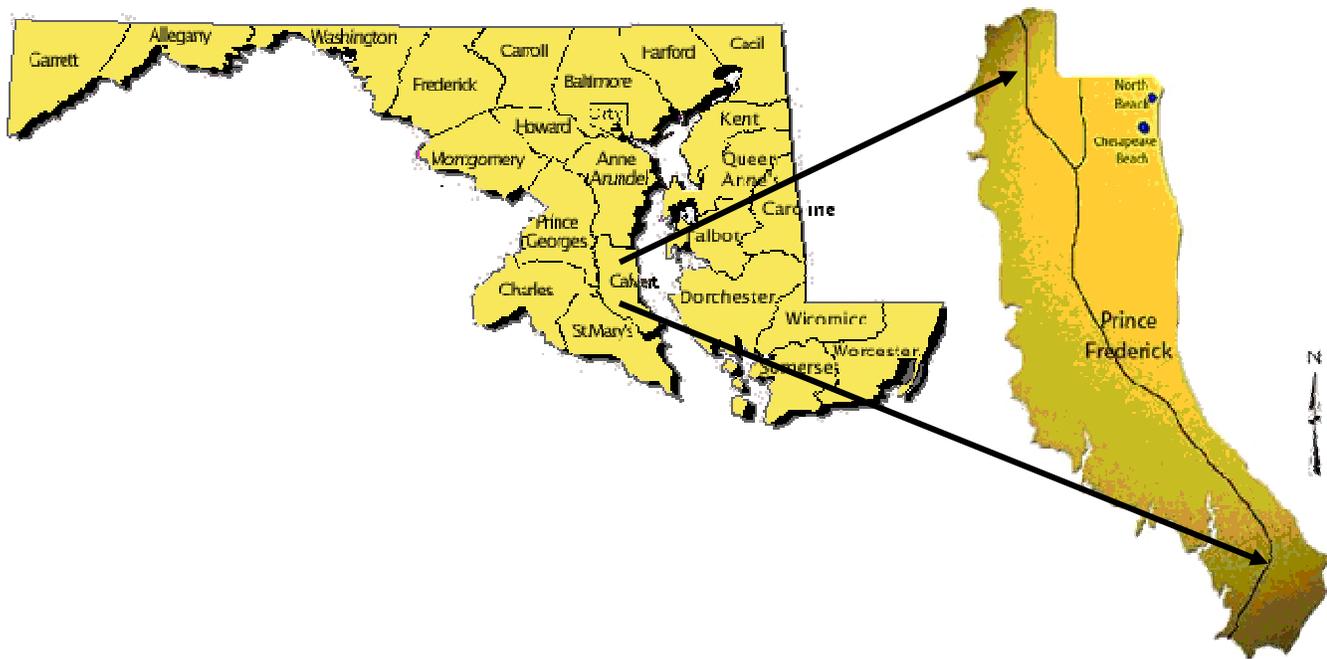
Population	91,620 ⁽¹⁾
Total assessed value of all taxable property, fiscal year 2017	\$12,680,975,897
Ratio of assessed to estimated market value (real property)	100%
County real property tax rate per \$100 of assessed value	\$0.952
Portion of 2016 - 2017 levy collected	
Amount	\$128,249,125 ⁽²⁾
Percentage	98.24%
Ratio of net direct debt to assessed value (after issuance)	1.20% ⁽³⁾
Per capita net direct debt (after issuance).....	\$1,564.06 ⁽³⁾
Net underlying debt (incurred directly by municipalities).....	\$12,807,759

(1) Source: 2017 estimate provided by Calvert County Department of Planning and Zoning.

(2) Includes various real property tax credits.

(3) As of June 30, 2017, net of enterprise debt.

Calvert County, Maryland





**OFFICIAL STATEMENT
CALVERT COUNTY, MARYLAND**

\$26,565,000*

**COUNTY COMMISSIONERS OF CALVERT COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, 2018 SERIES**

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 the \$26,565,000* County Commissioners of Calvert County Consolidated Public Improvement Bonds, 2018 Series (the “Bonds”), which are being issued as general obligation bonds by the County Commissioners of Calvert County (“Calvert County” or the “County”), a body politic and corporate and a political subdivision of the State of Maryland (the “State”). The information herein has been assembled from various sources, including County records, economic data supplied by the Calvert County Departments of Planning and Zoning, Economic Development, and Finance and Budget, and the Bureau of Economic Analysis of the U.S. Department of Commerce, the Maryland Department of Commerce and financial statements prepared by the County and audited by SB & Company LLC, the County’s independent auditors for the 2017 fiscal year report. This information is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof.

All estimates and assumptions herein have been based upon information believed to be reliable and correct. Statements made involving estimates and assumptions, however, whether or not expressly so stated are intended merely as such and not as representations of fact. Figures herein relating to tax collection, 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 and approved by the County.

Description and Government

Calvert County is located in the Southern Maryland section of the western shore of the Chesapeake Bay. It is a peninsula bounded on the east by the Chesapeake Bay and on the west by the Patuxent River and contains approximately 219 square miles. The County’s northern neighbor is Anne Arundel County, and Prince George’s, Charles and St. Mary’s Counties lie across the Patuxent River. Calvert and Charles Counties are connected via the Patuxent River Bridge located in Benedict, Maryland, and St. Mary’s County is connected via a bridge at the southern tip of Calvert County.

Prince Frederick, the County seat, is located 35 miles southeast of Washington, D.C., and 55 miles south of Baltimore. The closest points of these metropolitan areas to the boundary of the County are, respectively, 18 and 38 miles.

The major north-south highway traversing Calvert County is Maryland Route 4, a four-lane highway from Washington, D.C. to Solomons Island and over the bridge to St. Mary’s County. Other major thoroughfares in Calvert County are Maryland Route 2, which connects the County with the State capital in Annapolis and thence with U.S. Routes 301 and 50, and Interstate Route 97. Maryland Route 231, a two-lane highway, connects Prince Frederick with Hughesville in Charles County via the Patuxent River Bridge where it intersects with Maryland Route 5, the major north-south artery in Charles and St. Mary’s Counties.

*Preliminary, subject to change.

The topography of Calvert County is variable and rugged. An upland plain runs generally in a northwest-southeast direction and forms the central spine of the County. On the Chesapeake Bay side, the upland terminates in high cliffs of clay, gravel and sand rising from the shoreline to maximum heights of 125-135 feet. On the west, the upland areas slope toward the Patuxent River forming a level terrace commonly called "bottom land." The elevation here varies from approximately 10 to 40 feet.

Calvert County has more than 110 miles of shoreline. The bay shoreline is approximately 32 miles in length and the river shoreline is approximately 78 miles in length.

Calvert County was established as one of the original counties of the Maryland Colony in 1654 and was named for Frederick Calvert, the last Lord Baltimore. Prince Frederick, the County seat, was established in 1723 at Williams Old Fields and named Prince Frederick in 1925. Development during these and subsequent years was facilitated by the Chesapeake Bay and the Patuxent River, which afforded access to much of the County.

There are two incorporated municipalities in Calvert County, the towns of Chesapeake Beach and North Beach.

Calvert County is governed by a five-member Board of County Commissioners, each of whom is elected for a four-year term. Each December, the Commissioners elect a President and a Vice President from their number.

The offices of the Commissioners are located in the Courthouse, 175 Main Street, Prince Frederick, Maryland 20678. The Commissioners' office telephone number is (410) 535-1600. The County's Internet address is www.co.cal.md.us.

All references in this Official Statement to the County's Internet home page are provided for convenience only. The information on the County's Internet home page is not incorporated herein, by reference or otherwise.

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 interests in the Bonds. The Bonds are dated their date of initial delivery and are being issued in the aggregate principal amount of \$26,565,000*. The Bonds will mature on July 1 of the years, in the principal amounts and bear interest at the interest rates set forth on the inside front cover of this Official Statement.

The Bonds are general obligations of the County for the payment of which the full faith and credit and the unlimited taxing power of the County are irrevocably pledged (see "Source of Payment" below). Interest on the Bonds is payable semiannually on each January 1 and July 1, beginning January 1, 2019, until and including the date of maturity or earlier redemption, to the registered owners, as shown on the bond registration books maintained by the Bond Registrar on the fifteenth day of the month immediately preceding each interest payment date. Interest on the Bonds will be calculated based on a 360-day year consisting of twelve 30-day months.

Authorization

The Bonds are being issued pursuant to the authority of Chapter 236 of the Laws of Maryland of 2001, Chapter 597 of the Laws of Maryland of 2007, Chapter 135 of the Laws of Maryland of 2010, Chapter 56 of the Laws of Maryland of 2013, Chapter 43 of the Laws of Maryland of 2014, Chapter 27 of the Laws of Maryland of 2015, Chapter 182 of the Laws of Maryland of 2016 and Chapter 117 of the Laws of Maryland of 2018, are being consolidated pursuant to Section 19-101 of the Local Government Article of the Annotated Code of Maryland, and are authorized to be issued, sold and delivered by a Resolution adopted by the Board of County Commissioners on June 5, 2018, as supplemented by a Resolution adopted by the Board of County Commissioners on July 24, 2018 (collectively, the "Bond Resolution").

Redemption of Bonds

The Bonds maturing on or after July 1, 2029 shall be subject to redemption prior to their respective maturities, at the option of the County, at any time on or after July 1, 2028, either as a whole or in part, but only upon payment of a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption.

*Preliminary, subject to change.

Redemption Procedures

If less than all of the outstanding Bonds are called for redemption, the County shall choose the maturities of the Bonds to be redeemed and the principal amount of each maturity to be redeemed, in its sole discretion. If less than all of the Bonds of any one maturity are called for redemption, the particular Bonds to be redeemed from such maturity shall be selected by lot by the Bond Registrar (hereinafter defined), except that so long as The Depository Trust Company (“DTC”) or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

In case part but not all of a Bond shall be selected for redemption, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof a Bond or Bonds in any authorized denomination as specified by the registered owner. The aggregate principal amount of the Bond or Bonds so issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, a redemption notice shall be given to DTC by a secure means in accordance with DTC’s applicable operational arrangements not less than 30 days prior to the redemption date (or such fewer number of days as shall be acceptable to DTC). If the book-entry only system is discontinued for the Bonds, a redemption notice shall be mailed by the Bond Registrar, on behalf of the County, not less than 30 days prior to the date fixed for redemption, postage prepaid, to the registered owners of the Bonds to be redeemed by first class mail at their last addresses appearing on the registration books maintained by the Bond Registrar (the “Bond Register”). The redemption notice shall include the information required by the Bond Resolution, including any conditions to such redemption. Failure to deliver or mail such notice with respect to a particular Bond to be redeemed or any defect in such notice, or in the delivery or mailing thereof, shall not affect the sufficiency of the redemption proceedings. From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price of the Bonds call for redemption are held by the Bond Registrar on such date, the Bonds so called for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have no rights in respect thereof expect to receive payment of the redemption price thereof from such monies held by the Bond Registrar. Upon presentation and surrender of a Bond called for redemption, the Bond Registrar shall pay the appropriate redemption price of such Bond. If Bonds so called for redemption are not paid upon presentation and surrender as described above, such Bonds shall continue to bear interest at the rates stated therein until paid.

Form and Denomination

The Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Manufacturers and Traders Trust Company, Buffalo, New York (the “Bond Registrar” and the “Paying Agent”), will act as bond registrar, paying agent and authenticating agent for the Bonds.

Source of Payment

The County will assess and levy in each year, so long as any of the Bonds are outstanding and unpaid, an ad valorem tax on all property subject to taxation within Calvert County, sufficient in rate and amount to pay the principal of and interest on the Bonds; and the full faith and credit of the County is irrevocably pledged to the prompt payment of the principal of and interest on the Bonds.

Application of Proceeds

The proceeds of the Bonds will be applied, together with funds from other sources, (1) to finance all or a portion of the costs associated with the capital projects listed below, (2) to pay the expenses of the issuance and sale of the Bonds; and (3) to pay interest on the Bonds. The following summarizes the manner in which such amounts are expected to be used:

<u>Use</u>	<u>Proceeds</u>
Fire & Rescue Apparatus Engine	\$ 600,000
Prince Frederick EMS Facility Renovation.....	4,000,000
Fire & Rescue Apparatus.....	600,000
800 MHz System Expansion	1,300,000
Linda Kelley Animal Shelter	6,400,000
Ward farm Recreation	1,500,000
Detention Center.....	650,000
Countywide Paving	1,400,000
Prince Frederick Loop Rd	90,000
Northern High School	8,800,000
PF Sewer CMS to CMH	650,000
Dowell Rd WWPS Upgrade.....	415,000
Issuance Costs	<u>160,000</u>
Total	<u>\$26,565,000</u>

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York, (“DTC”), is acting as the 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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.

DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 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 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.

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 (the “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 purchases. 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 interest 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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, tenders, defaults, and proposed amendments to the 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.

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).

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 Paying Agent on the payment 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 Participant and not of DTC, its nominee, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds 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 Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 and the 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 transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

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 Bond Registrar nor the Paying Agent will have any responsibility or obligations to Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to Direct or Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

Termination of Book-Entry System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and such Bonds will be exchanged for certificated Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Bond 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 hereinbefore described (See "THE BONDS").

LEGAL MATTERS

Approval of Legal Proceedings

McGuireWoods LLP, Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance and sale of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of an opinion to the effect stated on the cover page hereof and substantially in the form set forth in Appendix B of this Official Statement. See also "TAX MATTERS".

Bondholders' Remedies

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the holders thereof, and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to 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, it is the opinion of Bond Counsel 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 holders of the County's general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to holders 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

any of the Bonds could be made subject to the applicable provisions of Federal bankruptcy laws or other 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.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest. Bond Counsel's opinion will state that, under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax.

Bond Counsel will express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for Federal income tax purposes under Section 103 of the Code. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The County has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes. In delivering its opinion regarding the tax treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the County and the underwriters for the Bonds as to facts material to the opinion, which Bond Counsel has not independently verified. In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the U.S. Department of the Treasury ("Treasury"). The Non-Arbitrage Certificate and Tax Covenants executed and delivered by the County on the date of delivery of the Bonds (the "Tax Agreement") contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on Federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for Federal tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount. The “original issue discount” (“OID”) on any Bond is the excess of such Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such Bond. The "issue price" of a Bond is generally the first price at which a substantial amount of the Bonds of the same maturity was sold to the public. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield). OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of Federal income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the distribution requirements of certain investment companies and may result in some of the collateral Federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in additional distribution requirements or other collateral Federal income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for Federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for Federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium. In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and the amortization of bond premium on, Premium Bonds.

Opinion of Bond Counsel – State Tax Exemption. In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest payable on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

Interest on the Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Bonds should consult their own tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

Possible Legislative or Regulatory Action. Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving the Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

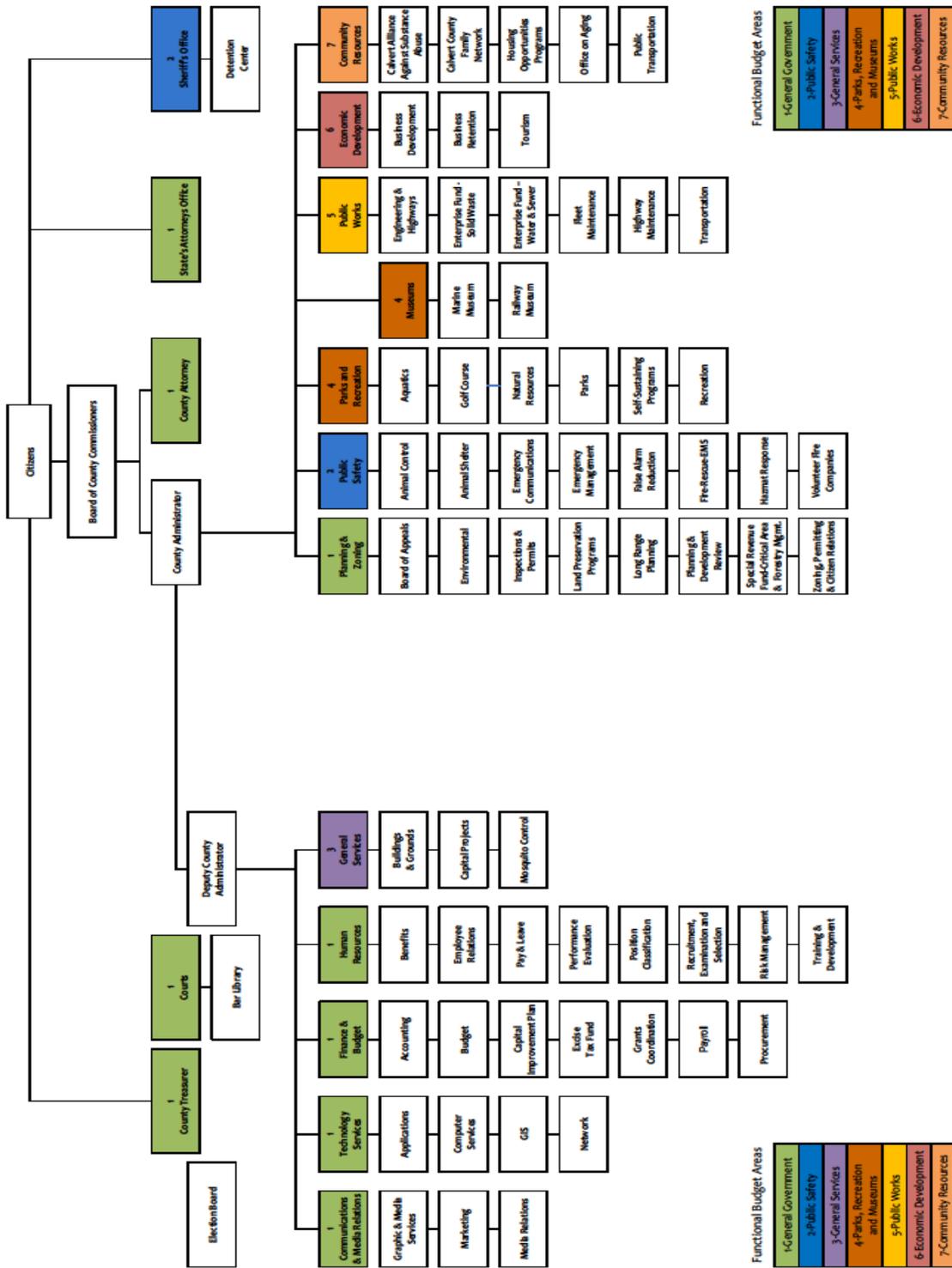
Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global, Inc., have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of any of such ratings may be obtained only from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other materials and information pertaining to the Bonds. Generally, rating agencies base their ratings on such material and information, as well as their own investigations, studies and assumptions. Each rating given the Bonds may be changed at any time and no assurance can be given that any such rating will not be revised downward or withdrawn by the applicable rating agency if, in the judgment of such rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on market prices for the Bonds.

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ORGANIZATIONAL CHART CALVERT COUNTY, MD



- Functional Budget Areas
- 1-General Government
 - 2-Public Safety
 - 3-General Services
 - 4-Parks, Recreation and Museums
 - 5-Public Works
 - 6-Economic Development
 - 7-Community Resources

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COUNTY GOVERNMENT AND ADMINISTRATION

General

The County is governed by a five-member Board of County Commissioners, and the Commissioners are elected for continuous four-year terms. One Commissioner is elected annually by the Board of County Commissioners to serve as its President and one Commissioner is elected annually by the Board to serve as its Vice President. The Board of County Commissioners meets every Tuesday and at other times as it deems necessary.

The Board of County Commissioners regards the orderly management of growth of the County as its primary planning concern. To this end, the Board of County Commissioners is operating under the Comprehensive Plan approved in 2004. The Board has also passed an Adequate Public Facilities Ordinance, and established various excise taxes and a solid waste fee.

Certain Elected and Appointed Officials

Evan K. Slaughenhaupt Jr., County Commissioner, was elected from the 3rd District to the Board of County Commissioners in 2010 and re-elected in 2014. He currently serves as Board President. Commissioner Slaughenhaupt began his career with the United States Air Force and then joined the United States Department of Defense at Fort Meade. He retired in 2002. Evan is currently employed by a major aerospace corporation. Evan received his B.S. degree from the University of Maryland and earned a Master's degree in Strategic Intelligence from the National Defense Intelligence College. Evan completed the Academy for Excellence in Local Governance certification program with the University of Maryland, College Park. Evan and his wife Jeanne live in the Dunkirk area and share their home with their adult son Christopher. Commissioner Slaughenhaupt is a member of the Dunkirk Area Concerned Citizens Association (DACCA) and served as a two-term president. Previously, he served as the Board's Vice President, as a member of Calvert County's Ethics Commission, is a current member of the American Legion in Chesapeake Beach, a member of the Chesapeake Bay Foundation, an associate member of the League of Women's Voters of Calvert County, a member of the Elks, Board of Directors Member of the Maryland Association of Counties (MACo), Chair of MACo's Rural Counties Coalition, and is a volunteer and an enthusiastic supporter of the Special Olympics of Calvert County.

Tom Hejl, County Commissioner, was elected to the Board of County Commissioners in 2014, as an At-Large Representative. He currently serves as Board Vice President. Commissioner Hejl has more than 40 years of experience in public safety. He began his career with the Maryland State Police in 1971. During his tenure, Lieutenant Hejl spent 12 years assigned in Calvert County where he was the first resident trooper, a criminal investigator and supervisor. He filled a number of other roles during his 25-year career, including command positions within the Bureau of Drug Enforcement. Following retirement, Commissioner Hejl became the chief operating officer of Blackhawk Investigations and Security. He left Blackhawk Investigations to accept a position as an investigator with the State's Attorney's Office in Calvert County and remained in that position until November 2002 when he accepted the position of assistant sheriff at the Calvert County Sheriff's Office. Lt. Colonel Hejl retired from his position as assistant sheriff in April of 2013. Commissioner Hejl has been a member of the United Way of Calvert County for eleven years, serving several years as the board chair. Commissioner Hejl grew up in Baltimore and graduated from Baltimore Polytechnic Institute in 1971. He began his law enforcement career immediately upon graduation. He has college credits from Catonsville Community College and the University of Maryland. Commissioner Hejl was assigned to Prince Frederick Barrack of the Maryland State Police immediately upon his graduation from the academy. He is married to Sheila, has two step-daughters and four grandchildren.

Steven R. Weems, County Commissioner, was elected At-Large Representative to the Board of County Commissioners in 2010 and re-elected in 2014, served as Board Vice President in 2014, and as the Board's President in 2015. He received his B. S. degree from Frostburg State University. Commissioner Weems is a businessman with over 25 years of experience. His current business endeavor, Wemyss Liquors in St. Leonard, is the oldest family-owned liquor store in Calvert County. Commissioner Weems has been an active supporter of many charitable, athletic and educational organizations and activities throughout Calvert County. Mr. Weems resides in St. Leonard with his wife and family.

Pat Nutter, County Commissioner, was first elected to the Board of County Commissioners in 2010, served as Vice President in 2011 and 2012, and as President in 2013 and 2014. He was re-elected in 2014 as Calvert County District 2 Representative. Commissioner Nutter is a lifelong Calvert County resident and has enjoyed a long career in public service. He first served as a member of the Chesapeake Beach police force in the 1960s and 1970s, after which he became a deputy with the Calvert County Sheriff's Office. He filled a number of roles there from 1977 through 1998, including criminal investigator and lieutenant, where his training in hostage negotiation, crisis management and defense tactics provided him with the pivotal skills required to ensure safety and security in the communities he served. He was among the first group of individuals to attend the Municipal Police

Academy and maintains membership in the Fraternal Order of Police. Following retirement from the Sheriff's Office, Commissioner Nutter became Calvert County's first Chief Zoning and Code Enforcement Officer in the Department of Planning & Zoning and he held this position for five years. He is an accomplished magician, martial arts instructor and a member of the Kiwanis Club. He has three children and nine grandchildren and resides in Owings with his wife.

Mike Hart, County Commissioner, was elected to the Board of County Commissioners in 2014 representing Calvert County District 1. Commissioner Hart is a businessman with over 21 years' of experience. Commissioner Hart currently owns and operates Patuxent Wine & Spirits in Lusby. Commissioner Hart is a longtime, active supporter of many charitable and educational organizations in Calvert County and continues to support those activities. He lives with his wife and children in the Lusby area.

Nova (Novalea) Tracy-Soper, Treasurer, was elected to her first term of office in 1994. She graduated from Calvert Christian High School in 1984, and holds a B.S. degree in Business Management, with a minor in Accounting, from the University of Maryland University College. She was employed for 10 ½ years with The First National Bank of Maryland, where she attained the position of Assistant Branch Manager, and earned the qualifications of Registered Investment Representative, Bank Auditor and Budget Preparer and Monitor. She previously held the position of Treasurer for the Calvert County Historical Society. In 1997, she received the Outstanding Young Women of America award. In 1998, she was selected as an honored member of the International Who's Who. Nova was selected in 2005 as the Republican Woman of the Year. She has resided in Calvert County since 1970 and currently lives in Port Republic with her two children.

Terry L. Shannon, County Administrator, CPA, holds a B.S. Degree in Accounting from York College of Pennsylvania. In 2009, she was appointed County Administrator, and had previously held the position of Director of Administration and Finance (now Finance and Budget) since 1999, the position of Deputy Director since 1991 and Staff Accountant since 1987. Prior to joining Calvert County Government in 1987, she served as Comptroller for a medium-sized computer business in Greenbelt, Maryland and Corporate Auditor for Suburban Bank in Bethesda, Maryland. She is a member of the American Institute of Certified Public Accountants (AICPA) and the Maryland Association of Certified Public Accountants (MACPA). Terry is a graduate of Leadership Maryland, class of 2013. She serves as a member of the Board of Trustees for the Calvert County Employees Retirement Plan; the Calvert County Sheriff's Department Pension Plan; and the Calvert County Employees Defined Contribution Plan. She also serves on the Finance Committee for the Local Government Insurance Trust.

Wilson H. Parran, Calvert County Deputy County Administrator, holds a Bachelor of Science in Organizational Management from Columbia Union College and a Master of Science in Information Systems from The George Washington University. He has more than 30 years of experience in leadership, management and information technology, telecommunications, state and local government agency management, as well as managing private business. He also served eight years as a Calvert County Commissioner and four years as the Board President. Prior to rejoining Calvert County Government, he served as Deputy Secretary - Administration and Operations, Maryland Department of Transportation; Assistant Secretary - Mission Support, Maryland Department of Natural Resources, and Chief of Information Technology, Maryland Department of Natural Resources. He is a U.S. Air Force Vietnam Era Veteran. He is a Past President of the Maryland Association of Counties (MACo) and, is a 1999 graduate of Leadership Maryland (LMD) and a 2009 graduate of Leadership Southern Maryland (LSM). He has been the recipient of several noteworthy awards including the MABE 2007 Charles W. Willis Award for outstanding School Board Leadership as well as the MACO 2011 Marilyn Praisner Public Service Award. He and his wife, Deborah, reside in Huntingtown, Maryland, and have two sons and six grandchildren.

Timothy Hayden, Director of Finance and Budget, CPA, CMA holds a B.S. Degree in Accounting from University of Maryland, College Park. He has worked for Calvert County since 2002. Prior to joining Calvert County Government, he served as Assistant Controller for a not for profit trade organization. His background includes employment as a senior staff at a CPA firm and senior staff accountant at a not for profit membership/publishing organization. He is a member of the American Institute of Certified Public Accountants, Institute of Management Accountants (AICPA), the Institute of Management Accountants (IMA), Government Finance Officers Association (GFOA), and an officer of the Maryland Government Finance Officers Association (MDGFOA). He serves as a member of the Board of Trustees for the Calvert County Employees Retirement Plan; the Calvert County Employees Retirement Savings Plan, the Calvert County Sheriff's Department Pension Plan; and the Calvert County Employees Other Post-Employment Benefits Trust Fund.

J. Mark Willis, Director of Planning and Zoning, holds a B.S. Degree in Psychology from the University of Florida. He joined the United States Marine Corps in 1977, retiring in 1998. During his career, he served in various combat units, as a Marine Corps Drill Instructor at Parris Island, South Carolina, as an instructor at the U.S. Merchant Marine Academy,

Kings Point, New York, and as the Air Delivery Platoon Commander, Camp Lejeune, North Carolina, and with Manpower Management, Headquarters Marine Corps. He is a graduate of the Army's Combined Logistics Advanced Officers Course located at the Army War College, Fort Lee, Virginia. He joined Calvert County Government in 2000 as the County's first Fleet Maintenance & Management Division Chief. Since joining the County he has supervised the Highway Maintenance Division, and two enterprise divisions; Water & Sewer and Solid Waste. He has served on various community boards including the Calvert County Historical Society, Jefferson Patterson Park & Museum, Relay for Life, Distinguished Young Women, and as president of his Home Owner's Association.

Kelly Robertson-Slagle, Director of Economic Development, holds a B.S. degree in marketing from the University of Maryland. She was appointed director in July 2017. Ms. Robertson-Slagle has over 25 years of experience in government relations, business development, financial analysis, marketing, grant writing, program management, event planning and direct technical assistance. In addition, Ms. Robertson-Slagle has extensive experience in working with new and expanding businesses and cultivating relationships between counties and the business community, economic development agencies, and state and regional agencies. She previously served as Calvert County's business retention specialist. Prior to joining the department, Ms. Robertson-Slagle served as director of the Maryland Small Business Development Center where she provided leadership in planning, coordinating and overseeing the development, delivery and reporting of all programs, activities and services for the Southern Maryland region. She also served as business development manager for the Calvert County Department of Economic Development, director of government/member relations with the Tri-County Council for Southern Maryland and business development specialist with the Maryland Department of Business & Economic Development where she worked directly with local jurisdictions on business retention and expansion projects. She is a 2010 graduate of Leadership Southern Maryland, and member of the Maryland Economic Development Association and the International Economic Development Council.

Linda S. Vassallo, Director of Communications & Media Relations, holds a B.S. Degree in Mass Communications from Towson State University. She was appointed Director of Communications & Media Relations in 2017, after previously serving as the Director of Economic Development from 1999-2017, and as the Marketing & Communications Specialist from 1996 - 1999. During her tenure as Director of Economic Development, Calvert County's business base more than doubled from 1,700 businesses in 1996 to the more than 4,650 businesses in 2017, and increased the non-utility commercial tax base increased more than 200 percent or nearly \$900 million (2017). Ms. Vassallo has more than 30 years' experience in the fields of public relations, government relations, communications, marketing and business development. Prior to joining Calvert County government in 1996, she served as a communications associate for USECC, public information specialist for SAIC, special projects analyst for the National Renewable Energy Laboratory and intern staff to the National Republican Senatorial Committee on Capitol Hill. She is a member of the Leadership Southern Maryland Leadership Council, former LSM president, member of the Public Relations Society of America, the Maryland Association of Counties, and 2007 graduate of Leadership Maryland. She is a previous board member to the Maryland Economic Development Association, the Patuxent Partnership and Southern Maryland Economic Development Association.

P. Rai Sharma, Director of Public Works, holds a B.S. degree in Civil Engineering. He is a member and past president of the County Engineers Association and the Solid Waste Association of America. He was appointed Director of Public Works in 2014. He has been with Calvert County government since 2010, when he was hired as a project engineer and was soon promoted to deputy director of public works. He started his county government career in Wicomico County, where he served as chief engineer for public works and as director. Since joining Calvert County Government, Mr. Sharma has focused his attention on public road safety, sidewalk policies and neighborhood traffic management.

Retirement and Pension Programs

Calvert County Employees' Savings Plan

On July 28, 1998, the Commissioners approved the formation of a single employer defined contribution pension plan with a 5% County contribution and a required 3% contribution from all eligible employees. The plan was put in place January 1, 1999 and the Employees Plan (defined below) was closed to new entrants. All employees (except for full-time deputy sheriffs and correctional officers) hired after June 30, 1998 were automatically enrolled in the defined contribution pension plan. Required contributions and all other plan provisions are established by the County Commissioners and administered by a County-appointed Board of Trustees. The contributions by the County and the employees for the fiscal year 2017 were \$1,131,557 and \$832,402, respectively.

Calvert County Employees' Retirement Plan

The County contributes to the Calvert County Employees Retirement Plan (the Employees Plan), a single employer defined benefit pension plan that provides retirement benefits and death and disability benefits to participating employees and their

beneficiaries. If hired before July 1, 1996, benefits vest 100% for service greater or equal to 5 years, or if hired on or after July 1, 1996, benefits vest 100% for service greater or equal to seven years. County employees are eligible to receive retirement benefits for the first month following completion of 30 years of eligibility service or (1) if hired prior to July 1, 1996, first month following attainment of age 62, completion of 2 years eligibility service and sum of age and service is at least 67, and (2) if hired on or after July 1, 1996, first month following attainment of age 62, and completion of 7 years of eligibility service. Benefits are payable monthly for life, in an amount equal to 1.5% of the average final salary (the highest consecutive thirty-six month period of base pay) up to covered compensation for each year of service up to 30 years plus .3% of average final salary over the Social Security integration level for each year of service up to 30 years, plus 1.0% of the average final salary for each year in excess of 30 years up to 5 years. Benefit provisions and all other requirements are established by the County Commissioners and administered by a County-appointed Board of Trustees.

Participating County employees are required to contribute 2% of their annual compensation to the Employees Plan, plus an additional 2% of base salary in excess of Social Security Wage Base. The County contributes the remaining amounts necessary to fund the payments of benefits under the Employees Plan based upon the direction of its consulting actuary. The contributions made to the Employees Plan for fiscal year 2017 were made based on estimates provided by the County's actuary. The contributions consisted of amounts contributed by the employees of \$116,704. The County's costs for fiscal year 2017 were \$2,900,000.

Beginning in 2018, members of the plan will have the option to participate in the Deferred Retirement Option Program (DROP). Participation requires being eligible for normal retirement. A DROP Participant (1) agrees to retire from County employment at the end of the DROP Participation Period; (2) consents to the final calculation of their future retirement benefits at the time they enter the DROP; and (3) consents to the accumulation of his or her retirement benefits during the DROP Participation Period into a DROP Account. The DROP account is invested as determined by the participant, within the constraints of the offered plan and that balance is subject to adjustments for investment returns during that period. Each DROP Participant shall be paid the balance of his or her DROP Account at the end of the DROP Participation Period as specified.

Prior to the formation of the Employees Plan, County employees participated in the State Retirement and Pension System of Maryland (the System). On October 29, 1996, the Commissioners approved the withdrawal of employees of Calvert County from the System. Based on the establishment of the Employees Plan, all employees covered under the System were given the option to participate in the Employees Plan or remain in the System. All but 58 County employees opted to participate in the new plan.

Calvert County Volunteer Fire and Rescue Pension Plan

The County contributes to the Length of Service Awards Program (LSAP) for the Volunteer Fire and Rescue Squads personnel of Calvert County, a single-employer noncontributory retirement and pension plan. Any person who is certified as an active member with any Calvert County Volunteer Fire Company or Rescue Squad is eligible to participate. Active members who attain age 55 and have completed 25 years of certified volunteer service shall receive \$400 per month plus \$4 per month additional for each year of service in excess of 25 years, with a maximum benefit of \$500 per month. If an active member attains age 70 and has 2 years of qualifying service out of the least 5 years, but does not complete 25 years of service, a monthly benefit equal to \$8 times the years of service will be payable. The LSAP also provides for death and disability benefits to participating volunteers. Benefit provisions and all other requirements are established by the Fire and Rescue Commission and approved by the Commissioners as authorized by State law. The County contributes all amounts necessary to fund the payments of benefits under the LSAP.

The contributions made by the County to the LSAP for fiscal year 2017 totaling \$550,000 were made based on estimates provided by the County's actuary.

Calvert County Sheriff's Department Pension Plan

The County contributes to the Calvert County Sheriff's Pension Plan (the Sheriff's Plan), a single-employer defined benefit pension plan. All full-time deputy sheriffs and correctional officers employed by the County, excluding those who were hired prior to July 1, 1989, who elected to remain in the State System, are eligible to participate in this plan. Benefits vest 50% after 5 years, increasing 5% a year to 100% after 15 years. County employees who retire at or after age 55 or after 25 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.4% of their final average earnings for each year of service up to 20, plus 2% of final average earnings for each year of service over 20 years and up to 27 years. The Sheriffs Plan also provides for death and disability benefits to participating employees. Benefit provisions and all other requirements are established by a County-appointed Board of Trustees.

Beginning in 2018, members of the plan will have the option to participate in the Deferred Retirement Option Program (DROP). Participation requires being eligible for normal retirement. A DROP Participant (1) agrees to retire from County employment at the end of the DROP Participation Period; (2) consents to the final calculation of their future retirement benefits at the time they enter the DROP; and (3) consents to the accumulation of his or her retirement benefits during the DROP Participation Period into a DROP Account. The DROP account is invested as determined by the participant, within the constraints of the offered plan and that balance is subject to adjustments for investment returns during that period. Each DROP Participant shall be paid the balance of his or her DROP Account at the end of the DROP Participation Period as specified.

Participating County employees are required to contribute 8% of their annual compensation to the Sheriff’s Plan, compounded annually with 5% interest. The County contributes the remaining amounts necessary to fund the payments of benefits under the Sheriff’s Plan based upon the direction of its consulting actuary.

The contributions made to the Sheriff’s Plan for fiscal year 2017 by the County and the employees were \$3,200,000 and \$917,877, respectively, and were made based on estimates provided by the County’s actuary.

The following table sets forth the County’s contributions for each Retirement and Pension System for the five most recent fiscal years ended June 30:

Fiscal Year	Calvert County Sheriff’s Plan	Calvert County Fire & Rescue LSAP	Calvert County Employees Plan	Calvert County Savings Plan	Total Contribution
2013	\$2,770,000	\$470,000	\$2,910,000	\$922,895	\$7,072,895
2014	2,960,000	490,000	2,890,000	971,051	7,311,051
2015	3,060,000	460,000	2,918,950	1,110,634	7,549,584
2016	3,050,000	540,000	2,570,000	1,098,529	7,258,529
2017	3,200,000	550,000	2,900,000	1,131,557	7,781,557

Source: Calvert County Department of Finance and Budget.

State Retirement System of Maryland

The State Retirement Agency (the Agency) is the administrator of the System, a cost sharing multiple-employer public-employee retirement system. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by calling (800) 492-5909.

Members of the System may elect to contribute 5% to 7% of their earnable compensation depending on the retirement option selected. County employer contribution rates are determined actuarially. The County’s required contributions and actual contributions to the System for the fiscal years 2015 through 2017 were zero. The computation of the pension contribution provisions, actuarial funding method and other significant factors are used to determine pension contribution requirements in the previous year. Contributions by the State of Maryland on behalf of the Calvert County Public Library were \$412,030, \$378,395, and \$372,665 for the fiscal years 2017, 2016, and 2015, respectively.

As of June 30, 2017, there were 6 County employees in the State Retirement System, 56 employees in the State Pension System, 95 employees in the Employees Plan, 475 employees in the Calvert County Savings Plan and 189 employees in the Sheriff’s Plan.

Other Post-Employment Benefits

The County and the Board of Education provide their employees with other post-employment benefits (“OPEB”). The County and the Board of Education have historically funded these programs on a pay-go basis, but were required to fund OPEB on an actuarial basis beginning in fiscal year 2008. The County’s actuary determined, as of July 1, 2016, that the County’s Net OPEB liability related to active and retired County employees was \$58,774,624. As of July 1, 2016, the Board of Education’s Net OPEB liability related to active and retired Board of Education employees was \$92,213,239. Both of these figures use a 4.5% discount rate based on the funding status of the OPEB Trust Fund. The annual required contribution (ARC) is \$29,866,875; \$5,881,875 for the County employees and \$23,985,000 for the Board of Education employees. Of this total amount, the County and the Board of Education funded \$7,539,000 out of their respective operating budgets leaving a balance of \$22,327,875 to fully fund the ARC. The County’s budgeted OPEB contribution for fiscal year 2018 is \$17,954,916. Future financial forecasts include fully funding the ARC.

Labor Relations

As of June 30, 2017, the County's payroll included 1,264 employees. This figure includes merit, elected, contract, and appointed employees. It also includes the Calvert Marine Society, Housing Authority, the Board of Library Trustees and grant employees, but does not include the employees of the Board of Education. The County is not a party to any collective bargaining agreements. The County has not experienced a work stoppage due to labor relations disputes, and considers its relationship with its employees to be satisfactory.

Insurance

The County is a member of the Maryland Local Government Insurance Trust. Section 19-602 of the Insurance Article of the Annotated Code of Maryland authorizes public entities, including local governments, in Maryland to pool together for the purpose of purchasing casualty insurance or self-insuring casualty risks. This trust also enables the County to pool with other local governments in order to obtain risk management and loss control services to minimize the cost of comprehensive general liability, business automobile liability and physical damage, law enforcement liability, public officials legal liability, insurance claims and administration.

Those activities not covered under the Maryland Local Government Insurance Trust, including workers' compensation, are provided adequate coverage by policies obtained through competitive bidding.

Leases and Other Contracts

The County has lease agreements for copiers and for library space, some additional office and meeting space. These lease payments are budgeted at \$613,202 in fiscal year 2017.

Accounting and Financial Operations

The basic financial statements of the County Commissioners of Calvert County, Maryland have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements present the Primary Government and its component units, which are reported in separate columns in the Government-wide financial statements. The following is a summary of the more significant policies applied to these statements.

A. Financial Reporting Entity

The reporting entity includes the Primary Government's financial statements as well as the County's component units. Using the criteria of GASB Statement No. 14, defining the Governmental Reporting Entity, the Board of Education of Calvert County Public Schools and the Economic Development Authority of Calvert County, are considered component units. The County is financially accountable for the entity or its relationship with the Primary Government is of such significance that exclusion would cause the financial statements to be misleading. Excluded from presentation in the County's financial statements are the Calvert County Housing Authority, the Volunteer Fire and Rescue Squads, the Calvert County Fair, Inc., and the Calvert County Soil Conservation District. Even though the Housing Authority's Board is appointed by the County, the County does not exercise oversight responsibility over the Housing Authority. The financial statements do not include the Calvert County Health Department, a governmental entity that has been formed under applicable state laws as separate and distinct from the County.

B. Government-wide Financial Statements

The Government-wide Financial Statements present financial information about the County as a whole. These financial statements include the Primary Government activities and distinguish between those activities that are *governmental*, supported by taxes and intergovernmental revenues, and those that are considered *business-type* activities, which rely to a significant extent on fees and charges for support. These statements also include separate presentation of the component units. The Government-wide Statement of Net Position and Statement of Activities measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting.

C. Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses. The various funds are summarized by fund type in the financial statements.

Governmental Fund Types

The Governmental fund types are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements use a current financial resources measurement focus and the modified accrual basis of accounting. This fund type's financial statements focus on near term inflows and outflows of spendable resources. Under this method, revenue is recognized when it becomes measurable and available. Availability is determined when amounts are collected within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Expenditures are recognized as incurred, except for debt service and certain other liabilities, which are recognized as payments are due. The types of governmental funds are presented below.

General Fund – The General Fund is the general operating fund of the County. All financial resources are accounted for in this fund except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted or committed to expenditures for specific purposes. The Special Revenue Funds consist of the Planning and Zoning Special Revenue Fund, Excise Tax Fund, Board of Library Trustees for Calvert County Fund (the Library), Land Preservation Fund, Economic Development Incentive Fund, Parks and Recreation Fund, Chesapeake Hills Golf Course, Calvert Marine Museum, Bar Library Fund, Economic Development Authority Revolving Loan Fund, Revolving Loan Fund, Grants Fund, and Calvert County Family Network Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures that are for the acquisition or construction of major capital facilities of the County and the Board of Education of Calvert County Public Schools.

Proprietary Fund Types

Proprietary funds are used to account for County business-type activities, which are primarily self-supporting and supported by user fees. This fund type uses the economic resources measurement focus and full accrual basis of accounting.

Enterprise Funds – Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are used to account for the operations of the Water and Sewer Fund and the Solid Waste and Recycling Fund of the County.

Fiduciary Fund Types

Trust Funds – The County maintains Pension Trust Funds to account for Volunteer Fire and Rescue Retirement benefits, the Calvert County Sheriff's Pension Plan, the Calvert County Employees Retirement Plan, and the Other Post-Employment Benefits Trust Fund.

Agency Funds – The Agency Fund is used to account for assets held by the County in a trustee capacity or as an agent for individuals, other governments, and/or other funds. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Agency Fund type is used to account for the activities of the Tax Redemption Fund of the County.

D. Capital Assets and Long-term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by the fund's measurement focus. The governmental fund types do not include these long-term items, as these funds focus on *spendable financial resources*. All general County capitalized fixed assets, including buildings, roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are capitalized and depreciated and included in the Government-wide financial statements as governmental activities. Capital assets and long-term liabilities related to the County's

Enterprise fund activities are capitalized and depreciated within the Enterprise funds as these funds use the *economic resources* measurement focus. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is charged over the estimated useful lives using the straight-line method.

Budgeting

Annual Operating Budget

The Board of County Commissioners annually adopts an operating budget for the County. The revenue estimates are prepared by the Department of Finance and Budget using the latest statistical data available, i.e., actual historical trend analysis, the State property tax assessment records, State income tax growth forecasts, market rate forecasts for investment income, etc. Simultaneously, each County department, agency, or board receiving County funds submits a budget request through the County Administrator and the Director of Finance and Budget to the Board of County Commissioners at a public hearing. Additional public hearings are conducted to obtain taxpayers' comments. On or before July 1, the budget is legally enacted through passage of a resolution which sets the County property tax rate for the ensuing fiscal year.

Currently, after the adoption of the annual budget, the County Code allows for transfers to be made in accordance with restrictions established by resolution. The Director of Finance and Budget is authorized to transfer budgeted amounts up to \$10,000. Budget adjustments up to \$25,000 may be authorized by the County Administrator. Budget adjustments in excess of \$25,000, but less than \$100,000 must be approved by the Board of County Commissioners. Effective July 1, 2001, any change totaling more than \$100,000 may be made only by resolution approved by the Board of County Commissioners after compliance with certain public hearing requirements.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Funds, Enterprise Funds, and Special Revenue Funds. The budget for the General Fund is adopted on a basis consistent with GAAP except that encumbrances are treated as expenditures rather than as a reservation of fund balance on a budgetary basis.

The County's general operating expenditures for fiscal year 2017 are \$243,649,897. The fiscal year 2017 expenditures represent an increase of \$5,801,441 or approximately 2.4% increase over the previous fiscal year. The adopted budget for fiscal year 2018 is \$282,800,538, which represents an increase of \$36,025,559 or approximately 14.5% above the adopted fiscal year 2017 budget. Under the full cash value method, the real property tax rate is \$.952 per \$100 of assessed value. The personal property tax rate is maintained at \$2.23 per \$100 of assessed value. The County's tax rate is scheduled to decrease in fiscal year 2019 to \$.937 per \$100 of assessed value.

Capital Budgeting

The Board of County Commissioners adopts a Capital Projects Budget on an annual basis concurrent with the General Operating Budget. Projects are selected from the County's long-range plan and are budgeted on a fiscal year and a project length basis. The Capital Project Budget includes all capital projects financed in whole or in part by County appropriations. The document also includes the proposed capital projects to be undertaken in the next five fiscal years and the proposed funding for each.

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Historical Revenues and Expenditures

The following table sets forth the actual revenues and expenditures recorded in the General Fund of the County in fiscal years 2013 through 2017.

General Fund Statement of Actual Revenues, Expenditures and Encumbrances (Budgetary Basis) Fiscal Years Ended June 30

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Real levy	\$121,137,766	\$ 117,485,356	\$ 116,540,902	\$ 117,333,826	\$ 125,763,273
Personal levy	146,913	80,861	-	-	-
Corporation levy	2,147,216	2,499,616	2,481,783	2,701,941	3,423,280
Public utilities	18,678,948	19,235,343	19,740,321	19,559,994	19,936,185
Additions and abatements	(117,213)	(188,267)	(132,598)	(35,332)	(39,365)
Penalties and interest	495,788	605,312	462,172	501,519	506,867
Tax credit	(995,501)	(746,633)	(677,106)	(634,207)	(665,799)
Land preservations credit	(212,015)	(203,968)	(221,715)	(207,836)	(284,602)
Income taxes	64,127,088	66,768,748	71,289,228	74,566,392	77,251,931
Other local taxes	9,789,812	8,239,151	8,591,595	9,889,282	11,712,702
Taxes – shared	513,103	541,727	570,547	587,376	583,043
Total taxes	<u>\$215,711,905</u>	<u>\$214,317,246</u>	<u>\$218,645,129</u>	<u>\$224,262,955</u>	<u>\$238,187,515</u>
Licenses and permits:					
Business licenses and	257,177	273,807	259,525	289,950	301,893
Other licenses and permits	50,376	62,713	29,389	35,718	38,544
Total licenses and permits	<u>307,553</u>	<u>336,520</u>	<u>288,914</u>	<u>325,668</u>	<u>340,437</u>
Intergovernmental revenue	4,014,146	4,110,684	4,034,445	4,424,884	4,438,425
Charges for services	3,396,415	3,685,835	4,104,231	4,165,296	4,207,622
Fines and forfeitures	520,964	466,225	443,181	345,993	692,829
Miscellaneous:					
Interest and dividends	68,937	71,562	33,352	80,626	233,146
Rents and concessions	19,032	52,710	129,905	140,484	9,600
Other miscellaneous	334,673	924,544	1,491,678	883,378	2,039,393
Total miscellaneous	<u>422,642</u>	<u>1,048,816</u>	<u>1,654,935</u>	<u>1,104,488</u>	<u>2,282,139</u>
Total revenues	<u>\$224,373,625</u>	<u>\$223,965,326</u>	<u>\$229,170,835</u>	<u>\$234,629,284</u>	<u>\$250,148,967</u>
Expenditures					
General government	\$17,835,519	\$ 11,819,557	\$ 12,780,563	\$ 15,398,141	\$ 15,824,544
Public safety	27,881,534	27,376,187	28,998,357	29,418,694	31,250,676
Public works	8,780,146	9,861,156	7,269,528	6,251,145	8,855,673
Health	2,759,922	-	-	-	-
General Services	-	11,614,778	11,962,768	12,036,904	12,449,508
Social services	1,732,141	-	-	4,162,989	4,451,930
Education	114,190,853	121,324,262	123,879,765	123,383,182	123,385,413
Recreation and culture	10,303,633	-	-	-	-
Community Resources	-	1,843,808	1,873,257	1,922,547	1,932,129
Conservation of natural resources	408,211	-	-	-	-
Urban development and housing	1,407,391	-	-	-	-
Economic development	1,148,794	1,106,920	1,112,798	1,084,949	1,127,281
State Agencies & Independent Boards	-	6,477,123	6,587,433	-	-
Debt service (1)	16,547,015	16,653,943	17,295,573	17,079,679	17,109,701
Pension/insurance/OPEB	21,290,423	19,231,184	23,367,037	22,072,681	21,981,083
Expenditures	<u>224,285,582</u>	<u>227,308,918</u>	<u>235,127,079</u>	<u>232,810,911</u>	<u>238,367,938</u>
Excess or (deficiency)	<u>88,043</u>	<u>(3,343,592)</u>	<u>(5,956,244)</u>	<u>1,818,373</u>	<u>11,781,029</u>
Other financing sources (uses):					
Operating transfers in					
Transfer for Board of Education Trooper	172,362	72,234	177,434	195,000	201,858
Transfer from BOE	-	7,500	-	2,875	-
Transfer from BOE Sheriff's Office	100,000	129,088	-	-	-
Transfer from Excise Tax Fund	1,000,000	1,150,000	2,500,000	1,000,000	-
Transfer from P&R Fund	3,500	-	-	-	-
Transfer from St. Mary's Academy director	-	-	-	47,992	70,580
Transfer from Revolving Loan Fund	-	-	-	-	-
Transfer from Housing Fund	-	-	-	-	-
Transfer from BOE OPEB	-	-	-	-	-
Operating transfer out					
Capital Projects Fund	(92,751)	(2,840,429)	(1,537,667)	(2,377,674)	(2,612,200)
Solid Waste Fund	(91,000)	(65,000)	(53,630)	(43,392)	(19,630)

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**General Fund
Statement of Actual Revenues, Expenditures and Encumbrances (Budgetary Basis)
Fiscal Years Ended June 30**

	Fiscal Year				
	2013	2014	2015	2016	2017
Parks and Recreation Fund	(\$269,985)	(\$402,055)	(\$302,249)	(\$302,055)	(\$402,055)
Grants Fund	(1,516,390)	(1,403,880)	(1,669,234)	(1,669,420)	(1,636,323)
Land Preservation Fund.....	(1,022,757)	-	(303,945)	(403,945)	(403,945)
Calvert Country Market.....	-	-	-	-	(6,042)
Revolving Loan Fund.....	-	-	(300,000)	-	-
Water and Sewer Fund	-	-	-	(8,568)	-
Affordable Housing Fund.....	-	-	-	-	-
Bar Library Fund.....	-	(22,941)	(35,056)	(36,108)	(35,564)
Golf Course Fund	<u>(148,700)</u>	<u>(108,287)</u>	<u>(221,920)</u>	<u>(166,383)</u>	<u>(166,200)</u>
Total other financing sources (uses)	<u>(1,865,721)</u>	<u>(3,483,770)</u>	<u>(1,746,267)</u>	<u>(3,791,678)</u>	<u>(5,009,521)</u>
Excess or (deficiency)	<u>(\$1,777,678)</u>	<u>(\$6,827,362)</u>	<u>(\$7,702,511)</u>	<u>(\$1,973,305)</u>	<u>\$6,771,508</u>

(1) Water and Sewer and Solid Waste and Recycling debt service expenditures are shown in their respective funds. All other debt service expenditures are made from the General Fund.

Source: Calvert County Department of Finance and Budget.

**General Fund
Summary of Fund Balances
Fiscal Years Ended June 30**

	Fiscal Year				
	2013	2014	2015	2016	2017
Fund Balances: (post GASB 54)					
Non-spendable	\$8,098,274	\$8,317,376	\$7,288,398	\$8,181,368	\$6,778,094
Restricted	-	-	-	54,030	54,030
Committed	21,983,132	21,943,607	22,100,797	22,838,421	25,047,021
Assigned	9,718,619	9,718,619	6,218,619	6,218,619	5,000,000
Unassigned	<u>27,228,179</u>	<u>20,212,026</u>	<u>16,622,116</u>	<u>14,200,844</u>	<u>24,060,353</u>
Total Fund Balances	<u>\$67,028,204</u>	<u>\$60,191,628</u>	<u>\$52,229,930</u>	<u>\$51,493,282</u>	<u>\$60,939,498</u>

Source: Calvert County Department of Finance and Budget.

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Results for Fiscal Year 2017

The following table indicates the County’s General Fund amended 2017 fiscal year budget, the fiscal year 2017 results, the fiscal year 2018 adopted budget and the fiscal year 2019 Board of County Commissioners (BOCC) budget:

**General Fund
Statement of Approved Budget and Actual Operations
(Budgetary, Non-GAAP Basis)**

	<u>Amended Budget 2017</u>	<u>Actual Results 2017</u>	<u>Adopted Budget 2018</u>	<u>BOCC Budget 2019</u>
Revenues				
Taxes:				
Property taxes.....	\$146,707,103	\$148,639,839	\$174,027,103	\$184,793,847
Income taxes.....	80,000,000	77,251,931	87,500,000	90,700,000
Other local taxes.....	8,588,433	11,712,702	8,950,000	9,086,000
State shared taxes.....	565,582	583,043	881,701	1,282,590
Licenses and permits.....	299,400	340,437	299,400	305,107
Intergovernmental.....	4,192,464	4,438,425	4,534,772	4,484,211
Service charges.....	4,230,337	4,207,622	4,454,596	4,502,824
Fines and forfeitures.....	714,115	702,429	327,650	327,650
Miscellaneous.....	1,023,577	2,272,539	562,151	816,769
Other financing sources.....	<u>1,271,858</u>	<u>272,438</u>	<u>1,263,165</u>	<u>1,217,134</u>
Total General Fund revenues.....	<u>\$247,592,869</u>	<u>\$250,421,405</u>	<u>\$282,800,538</u>	<u>\$297,516,132</u>
Expenditures				
General government.....	\$16,579,299	\$15,824,544	\$19,109,830	\$18,171,125
Public safety.....	31,407,983	31,250,676	34,219,499	37,259,554
Public works.....	9,511,687	8,855,673	11,985,525	13,030,503
General services.....	13,306,504	12,449,508	14,233,119	15,511,104
Community resources.....	2,071,965	1,932,129	2,190,471	2,252,778
Economic development.....	1,272,322	1,127,281	898,285	883,107
Education.....	4,145,228	4,125,932	4,391,623	4,662,018
Social Services and Health.....	4,521,940	4,451,930	4,554,810	7,206,728
Pension/insurance/OPEB.....	22,501,051	21,981,083	41,482,286	36,816,099
Transfers.....	5,375,467	5,281,959	6,700,974	10,318,471
Total debt service/other (1).....	<u>17,639,942</u>	<u>17,109,701</u>	<u>17,821,812</u>	<u>20,380,036</u>
Total County government.....	<u>\$128,333,388</u>	<u>\$124,390,416</u>	<u>\$157,588,234</u>	<u>\$166,491,523</u>
Board of Education.....	114,717,289	114,717,289	120,670,112	126,377,666
College of Southern Maryland.....	4,542,192	4,542,192	4,542,192	4,646,943
Total Education.....	<u>\$119,259,481</u>	<u>\$119,259,481</u>	<u>\$125,212,304</u>	<u>\$131,024,609</u>
Total General Fund expenditures.....	<u>\$247,592,869</u>	<u>\$243,649,897</u>	<u>\$282,800,538</u>	<u>\$296,577,100</u>
Excess or (deficiency).....	<u>\$ 0</u>	<u>\$6,771,508</u>	<u>\$ 0</u>	<u>\$ 0</u>

(1) Water and Sewer and Solid Waste and Recycling debt service expenditures are shown in their respective funds. All other debt service expenditures are made from the General Fund.

Source: Calvert County Department of Finance and Budget.

REVENUES OF THE COUNTY

Major Sources of Revenue

The following chart displays Calvert County’s six largest revenue sources for fiscal years 2013 through 2017:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Real Property Tax.....	\$121,137,766	\$117,485,356	\$116,540,902	\$117,333,826	\$125,763,273
Income Tax.....	64,127,088	66,768,748	71,289,228	74,566,392	77,251,931
Corporate Public Utility Taxes.....	20,826,164	21,734,959	22,222,104	22,261,935	23,359,465
Recordation.....	5,909,376	6,170,922	6,308,065	7,551,986	9,112,106
Franchise.....	1,274,815	1,366,119	1,404,676	1,485,691	1,654,348
Hotel Tax.....	634,973	560,148	718,807	719,467	803,327
Total.....	<u>\$213,910,182</u>	<u>\$214,086,252</u>	<u>\$218,483,782</u>	<u>\$223,919,297</u>	<u>\$237,944,450</u>

Source: Calvert County Department of Finance and Budget.

As indicated in the chart above, the primary source of revenue for the County is real property tax (see “Property Tax Information” below for more detailed information regarding assessments, levies, and collections). Local income taxes are the second largest source of revenue. The Board of County Commissioners has set the local income tax rate at 2.8%, with collections administered by the State. The distribution of local tax collections to the County is made primarily on a quarterly basis.

The County has imposed excise taxes to fund school construction and repairs, solid waste facility construction and maintenance, parks and recreation improvements, and road construction and improvements. Excise taxes help to offset the costs of services provided and are assessed and collected during the permitting process.

State and Federal Financial Assistance

State of Maryland

During fiscal year 2017, the Calvert County Board of Education, an independent legal entity, received \$1,715,896 of direct operating financial assistance from the State. In addition, the County received \$2,227,753 which was applied to general operations of the County and \$3,898,009 to fund specific grant programs.

Federal Government

During fiscal year 2017, the Calvert County Board of Education received \$8,571,812 of direct financial assistance from the federal government. The County received \$193,116 of direct financial assistance from the federal government and an additional \$1,929,603 of federal assistance to fund specific grant programs.

Property Taxes

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.

All real property is assessed at market value (full cash value). The County real property tax rate is \$.952 per \$100 of assessment. All property is re-assessed once every three years and any increase in full cash value arising from such assessment is phased in over the ensuing three tax years in equal annual installments. The County’s tax rate is scheduled to decrease in fiscal year 2019 to \$.937 per \$100 of assessed value.

Under State law, certain owners who occupy residential property receive tax credits against local property taxes. The effect of the homestead property tax credit is to limit property tax increases payable as a result of increases in assessed value. State law permits a maximum increase of 10% in assessed value annually. The County granted \$7,294 of such tax credits in fiscal year 2017. The County granted \$943,107 in targeted tax credits in fiscal year 2017. These credits include, the Commissioners Tax Credit, the Land Preservation Credit, the Historical Tax Credit, the Enterprise Zone Credit, the Barn Credit and the Homeowner Tax Credit.

Exemptions from State and County property taxation include: public property; property owned by religious groups or organizations for public religious worship; property owned by charitable, fraternal, benevolent, educational and literary organizations; property owned by a national organization of veterans; property owned by historical societies and museums; related business property owned by fire companies and rescue squads; operating property owned by railroad and transportation companies (exempt from State taxation only); tangible personal property of certain domestic corporations; savings institutions and commercial banks, inventory, and certain rolling stock (exempt from local taxation only); vessels, aircraft and motor vehicles; fanning implements; certain agricultural products and commodities; all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession; tools of mechanics or artisans; and non-operating property of public utilities and contract carriers (exempt from State taxation only).

Property taxes are levied and due on July 1 of the tax year. The taxpayer has the option to pay in full without interest by September 30 or under the semiannual payment method if it is a primary residence. If a semiannual payment method is elected, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Taxes not paid by their due date are subject to interest at a rate of 1% per month for each month or fraction thereof that taxes remain unpaid. Property taxes delinquent for one year as of their due date are subject to tax sale held the following June at which time all outstanding tax, interest, and costs are collected.

The following table sets forth the assessed value of all taxable property in Calvert County for the past five years. The table also indicates the County and State rates applicable in each of those years. Assessed value of tax exempt property owned by the Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled and the blind, aggregating \$19.2 million for fiscal year 2017 is not included in the table below.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value					
Real Property					
Full Year Levy	\$10,694,160,626	\$10,329,321,767	\$10,355,735,086	\$10,366,164,334	\$10,564,610,215
Half Year Levy	41,889,250	42,011,920	47,282,148	47,482,560	56,301,899
North Beach ⁽¹⁾	243,447,800	243,599,677	237,563,900	237,230,967	240,110,885
Chesapeake Beach ⁽¹⁾	745,581,500	745,670,700	754,882,400	754,249,032	765,443,232
Personal Property	111,580,810	101,281,390	107,809,590	127,322,557	158,920,896
Public Utilities and					
Corporations.....	838,817,310	855,709,234	886,687,000	878,734,490	895,588,770
Total Base	<u>\$12,675,477,296</u>	<u>\$12,317,594,688</u>	<u>\$12,389,960,124</u>	<u>\$12,411,183,940</u>	<u>\$12,680,975,897</u>
County Tax Rate					
(per \$100 of Assessed Value):					
Real Property					
Full-Year Levy.....	\$ 0.892	\$ 0.892	\$ 0.892	\$ 0.892	\$ 0.952
Half-Year Levy	0.446	0.446	0.446	0.446	0.476
North Beach ⁽¹⁾	0.556	0.556	0.556	0.556	0.616
Chesapeake Beach ⁽¹⁾	0.556	0.556	0.556	0.556	0.616
State Tax Rate	0.112	0.112	0.112	0.112	0.112
Personal Property Tax Rate.....	2.230	2.230	2.230	2.230	2.230
Public Utilities and Corporate					
Property Tax Rate	2.230	2.230	2.230	2.230	2.230
State Business Property Tax Rate...	0.280	0.280	0.280	0.280	0.280

⁽¹⁾ North Beach and Chesapeake Beach are incorporated towns. The County sets a lower county tax rate for the incorporated towns to offset the cost of services provided by the towns. The tax rate indicated reflects Calvert County's portion only.

The estimated County taxable real property assessed value for fiscal year 2018 is: Full Year Levy - \$10,629,473,000, Half Year Levy - \$50,000,000, North Beach - \$242,689,000 and Chesapeake Beach - \$766,181,000. The estimated County taxable real property assessed value for fiscal year 2019 is: Full Year Levy - \$10,791,890,000, Half Year Levy - \$50,000,000, North Beach - \$242,689,000 and Chesapeake Beach - \$766,181,000. The County tax rate is anticipated to decrease from \$0.952 to \$0.937 in fiscal year 2019.

Ten Leading Commercial Properties or Taxpayers and Their Assessments

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2017 Assessment</u>
Constellation Energy Group (1)	Power plant	\$1,200,000,000
Dominion.....	Natural gas supplier.....	744,034,070
Southern Maryland Electric Co.	Electric supplier.....	75,264,530
Asbury - Solomons.....	Retirement community	35,098,254
Fox Run Ltd. Partnership	Retail sales	26,979,567
Dunkirk Gateway	Retail sales	25,775,000
Market Square Shopping Center.....	Hotel.....	24,983,267
Holiday Inn - Solomons.....	Retail sales	17,227,400
Verizon.....	Hotel.....	14,991,970
Dunkirk Marketplace.....	Retail sales	12,933,900

Source: Maryland State Department of Assessments and Taxation.

(1) Due to the changes in Maryland property tax law in FY08 a PILOT (payment in lieu of taxes) agreement was entered into with Constellation which changed the taxable assessment. Note the difference is made up in the PILOT program.

**Calvert County Government
Tax Levies and Collections — County Only
Fiscal Years Ended June 30**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Year Taxes Collected During Year</u>	<u>Percent of Levy Collected During Year</u>	<u>Prior Year Taxes Collected During Year</u>	<u>Total Collected During Year</u>	<u>Accumulated Delinquent Taxes</u>
2013.....	\$122,271,620	\$118,376,406	96.81%	\$3,895,214	\$120,940,180	\$5,703,592
2014.....	119,166,157	116,735,560	97.96	2,430,597	119,166,157	6,181,212
2015.....	120,279,310	117,943,835	98.06	2,335,475	120,279,310	5,860,961
2016.....	120,625,659	118,229,042	98.01	2,396,617	120,625,659	6,105,612
2017.....	130,552,865	128,249,125	98.24	2,303,740	130,552,865	6,365,713

Source: Calvert County Department of Finance and Budget.

CERTAIN DEBT INFORMATION

General

The County may only issue general obligation and revenue bonds under authority conferred by the Maryland General Assembly. No referendum is required. After the issuance of the Bonds, the County will have \$68,995,023 of general obligation bond authority remaining.

Pursuant to Sections 9-601 to 9-699, inclusive, of the Environment Article of the Annotated Code of Maryland and Section 16-201 of the Code of Public Local Laws of Calvert County (collectively, the “Act”), the County may issue bonds for a water system, sewer system, solid waste disposal system or solid waste acceptance facility or any part of these to be owned, constructed or operated within a designated service area established by the County pursuant to the Act. Pursuant to the Act, the aggregate outstanding principal amount of bonds issued and outstanding under the Act may not exceed 25% of the total value of property in such service area, as assessed for County taxation. Such bonds, while constituting general obligations of the County, are payable from (a) user benefit assessments on all real property located in the applicable service area with respect to the bond financed project, (b) an ad valorem tax on all property subject to taxation within such respective service areas, and (c) if necessary, an ad valorem tax on all property subject to taxation within Calvert County, sufficient in rate and amount to pay the principal of and interest on such bonds. Bonds issued pursuant to the Act constitute \$26,329,583 of the County’s direct general obligation debt and are referred to hereinafter as “Enterprise Fund Debt.”

Statement of Direct and Underlying Debt (1)
As of June 30, 2018
(Including the Bonds)

Direct Debt Outstanding

Maryland Department of the Environment (Kenwood Beach water supply) (3)	\$ 171,571
Maryland Water Quality Bond 2001 (Dares Beach sewer) (3)	89,128
Maryland Water Quality Bond 2001 (Prince Frederick sewer) (3)	1,414,360
Maryland Water Quality Bond 2004 (Lusby sewer).....	134,239
Maryland Water Quality Bond 2009 (Ches. Beach expansion tank)	553,420
Maryland Water Quality Bond 2013 (Ches. Beach ENR upgrade).....	1,720,879
Maryland Water Quality Bond 2013 (Prince Frederick Well/Tower).....	2,331,408
State of Maryland Loan (Dares Beach water)	12,927
Agricultural Land Preservation (2).....	4,450,340
Refunding Bonds 2003 & 2004 Series	3,427,181
Refunding Bonds 2005 & 2006 Series	3,385,000
Refunding Bonds 2003 & 2007 Series	9,600,549
Refunding Bonds 2008 & 2009 Series	16,830,000
Consolidated Public Improvement Bonds 2010 Series (3).....	10,070,000
Consolidated Public Improvement Bonds 2011 Series (3).....	12,719,999
Consolidated Public Improvement Bonds 2012 Series (3).....	5,785,150
Consolidated Public Improvement Bonds 2013 Series (3).....	5,152,270
Consolidated Public Improvement Bonds 2014 Series (3).....	7,365,000
Consolidated Public Improvement Bonds 2016 Series (3)	29,245,000
Consolidated Public Improvement Bonds 2017 Series (3)	<u>24,010,000</u>
Total Direct Debt Outstanding.....	<u>\$138,568,420</u>
Consolidated Public Improvement Bonds 2018 Series.....	<u>26,565,000</u>
Total Direct Debt (Outstanding)	<u>\$165,133,420</u>

- (1) This table includes enterprise fund debt. It does not include three Water and Sewer loans from the General Fund, and three shore erosion loans, none of which impose a requirement on the County to levy taxes for their repayment.
- (2) Payment of the principal under each installment purchase agreement is payable from U.S. Treasury zero-coupon securities purchased by the County at the time the agreement was entered into.
- (3) All or a portion of debt service on these bonds will be paid by the users of the applicable systems.

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The following tables set forth the percentage of total and net general fund debt service to total and net General Fund revenues, respectively, and the related percentage for each of the County's five most recent audited fiscal years:

<u>Fiscal Year</u>	<u>Total General Fund Debt Service (1)</u>	<u>Total General Fund Revenues</u>	<u>Percentage of Total Debt Service to Total Revenues</u>
2013	\$16,547,015	\$225,649,487	7.33%
2014	16,653,943	225,324,148	7.39
2015	17,295,573	231,848,269	7.46
2016	17,079,679	235,875,151	7.24
2017	17,109,701	250,421,405	6.83

<u>Fiscal Year</u>	<u>Net General Fund Debt Service (2)</u>	<u>Net General Fund Revenues (3)</u>	<u>Percentage of Net General Fund Debt Service to Net General Fund Revenues</u>
2013	\$16,529,277	\$225,622,793	7.33%
2014	16,636,205	225,297,454	7.38
2015	17,277,835	231,821,575	7.45
2016	17,061,941	235,851,890	7.23
2017	17,091,963	250,394,711	6.83

(1) Includes debt funded by sources other than general fund tax revenues, i.e., shore erosion and waterway bonds.
(2) Excludes the debt listed in footnote (1) above.
(3) Excludes revenues dedicated to the payment of the debt shown in footnote (1).
Source: Calvert County Department and Finance and Budget.

The table below shows trends for Calvert County over the five most recent fiscal years for the ratios of net direct debt to estimated market value, net direct debt per capita and estimated market value per capita based on audited financial statements.

**Ratio of Net Direct Debt to Market Value
and
Net Direct Debt Per Capita and Market Value Per Capita
(Excludes the Bonds to be Issued)**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Market Value</u>	<u>Net Direct Debt (2)</u>	<u>Net Direct Debt to Market Value</u>	<u>Net Direct Debt Per Capita</u>	<u>Market Value Per Capita</u>
2013	90,458	\$11,725,079,176	\$141,046,183	1.13%	\$1,564	\$138,763
2014	90,562	11,360,604,064	140,225,701	1.23	1,548	125,446
2015	90,595	11,395,463,534	123,710,065	1.09	1,366	125,785
2016	91,251	11,405,126,893	109,384,738	0.96	1,199	124,986
2017	91,620	11,626,466,231	127,848,719	1.10	1,395	126,899

(1) Source: Calvert County Department of Planning and Zoning.
(2) Net of enterprise fund debt and other debt not supported by General Fund revenues as listed above.

**Rapidity of Bond Principal Repayment
(Excludes the Bonds to be Issued)**

<u>Number of Years</u>	<u>Principal Retired (Cumulative)</u>	<u>Percent of Principal Retired (Cumulative)</u>
5	\$74,251,253	53.31%
10	111,945,844	80.38
15	134,995,110	96.93
20	139,271,099	100.00

Public School Construction Financing

Section 5-301 of the Education Article of the Annotated Code of Maryland provides that, effective July 1, 1971, the State shall pay the costs in excess of available federal funds of all public school construction projects and public school capital improvements if the projects or improvements are approved by the Board of Public Works of the State (the “Board of Public Works”). The cost of acquiring land is not a construction cost which will be paid by the State.

The Board of Public Works has defined by regulation what constitutes an approved construction or capital improvement cost. The “Rules, Regulations and Procedures for the Administration of the School Construction Program were replaced by regulation as required by the Public School Facilities Act of 2004. The Regulations for the Administration of the Public School Construction Program (COMAR 23.03.02)” became effective May 21, 2007 with amendments on November 2, 2009, November 14, 2011, February 5, 2014 and May 14, 2014. The Interagency Committee on School Construction was established by the Board of Public Works in 1971 to administer the State of Maryland’s Public School Construction Program. Capital expenditures eligible for State payment under the regulations are limited to: (1) the cost, with qualifications, of site development when associated with a school construction or renovation project; (2) construction costs of new schools that can be justified because of growth or population shifts; (3) construction costs of additions to existing school buildings, such as classrooms, media centers, and art and music facilities; (4) construction costs for new buildings or parts thereof to increase capacity or to replace existing obsolete schools or parts thereof; (5) construction costs of modernization of schools in use for more than 15 years; (6) the cost, below a ceiling, of change orders to approved contracts; (7) the cost of “initial built-in equipment”; (8) the cost of installation of State-owned modular relocatable classroom buildings; (9) the cost of relocating on site utilities to eliminate interference with building construction; (10) the costs of expanding existing on-site sewer and water systems to accommodate additional student capacity; (11) the cost of systematic renovations within a building; (12) subject to certain State approvals, the cost of restoration of a public school building or site damage as a result of a natural disaster; (13) projects that have been forward funded by a local board of education; (14) projects funded through an annual appropriation for the Aging School Program, which are exempt from the State-local cost share formula under the regulations; (15) Aging School Program projects funded with proceeds from the sale of Qualified Zone Academy Bonds, which are exempt from the State-local cost share formula under the regulations; (16) Supplemental Funding for Technology in Maryland Schools Program projects with short term borrowing and the funds repaid from the Cigarette Restitution Fund, which are exempt from the State-local cost share formula under the regulation; (17) off-site development costs required by local, State and/or Federal agencies within the limit of the allocation; (18) projects to improve the energy efficiency of schools; (19) safety and security initiatives in Maryland’s public schools through capital investments; (20) air conditioning in schools that lacked central air conditioning in spaces used for educational purposes; and (21) emergency shelter provision projects must consult with Maryland Emergency Management Agency (MEMA) to determine whether the facility should serve as a shelter in the event of a national, state, or local emergency event.

Agricultural Land Preservation Program

The County is authorized to acquire transfer development rights in agricultural property by entering into general obligation installment purchase agreements with property owners for an aggregate purchase price of up to \$17,800,000. Under each agreement, the County pays semiannual interest for periods between 10 and 20 years and pays the purchase price at maturity. At the time each agreement is entered into, the County purchases U.S. Treasury zero-coupon securities which have a face amount at maturity equal to the purchase price payable under the agreement at maturity. As of June 30, 2018, the County had entered into agreements for an aggregate purchase price of \$4,450,340.

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Schedule of Principal and Interest Payments of Bonded Indebtedness

The following tables set forth the principal and interest payment schedules for the County’s direct and contingent general obligation bonded indebtedness as of June 30, 2018:

**Calvert County
Debt Service Schedule (1)**

	<u>Enterprise Fund Debt</u>		<u>General Fund Debt</u>		<u>Debt Service Grand Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 1,577,2076	\$ 648,289	\$ 15,761,118	\$ 4,581,680	\$ 17,338,194	\$ 5,229,969	\$ 22,568,163
2020	1,594,138	601,534	12,592,841	3,966,796	14,186,979	4,568,330	18,755,309
2021	1,613,816	552,198	14,898,031	3,409,265	16,511,847	3,961,463	20,473,310
2022	1,612,418	504,279	12,025,518	2,714,947	13,637,936	3,219,226	16,857,162
2023	1,211,339	439,495	11,364,958	2,140,696	12,576,297	2,580,191	15,156,488
2024	1,232,342	403,341	8,275,992	1,710,165	9,508,334	2,113,506	11,621,840
2025	1,241,662	364,243	6,958,166	1,386,514	8,199,828	1,750,757	9,950,585
2026	1,229,571	324,614	7,358,476	1,094,634	8,588,047	1,419,248	10,007,295
2027	934,515	288,958	4,877,945	801,707	5,812,460	1,090,665	6,903,125
2028	945,493	262,826	4,640,429	601,464	5,585,922	864,290	6,450,212
2029	913,551	236,107	4,335,259	449,978	5,248,810	686,085	5,934,895
2030	920,487	213,974	3,966,310	329,650	4,886,797	543,624	5,430,421
2031	952,623	191,704	4,068,810	222,092	5,021,433	413,796	5,435,229
2032	965,114	168,757	4,184,410	111,932	5,149,524	280,689	5,430,213
2033	891,942	145,368	1,850,760	27,761	2,742,702	173,129	2,915,831
2034	809,627	123,737	-	-	809,627	123,737	933,364
2035	816,989	103,285	-	-	816,989	103,285	920,274
2036 +	<u>2,649,373</u>	<u>233,633</u>	<u>-</u>	<u>-</u>	<u>2,649,373</u>	<u>233,633</u>	<u>2,883,006</u>
TOTAL	<u>\$ 22,112,076</u>	<u>\$ 5,806,342</u>	<u>\$ 117,159,023</u>	<u>\$ 23,549,281</u>	<u>\$ 139,271,099</u>	<u>\$ 29,355,623</u>	<u>\$ 168,626,722</u>

(1) This table does not include the following debt: three loans from the General Fund to the Water and Sewer fund, and three shore erosion loans, none of which imposes a requirement on the County to levy taxes for their repayment.

Source: Calvert County Department of Finance and Budget.

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**Total Debt Service
As Adjusted for the Issuance of the Bonds**

Fiscal Years Ending June 30	Total Debt Service(1)	Consolidated Public Improvement Bonds, Series 2018		Adjusted Total Debt Service (1)
		Principal (3)	Interest (2)	
2019	\$ 22,568,163	\$0	\$481,833	\$23,049,996
2020	18,755,309	1,220,000	1,174,081	21,149,390
2021	20,473,310	1,270,000	1,124,531	22,867,841
2022	16,857,162	1,320,000	1,072,481	19,249,643
2023	15,156,488	1,385,000	1,004,856	17,546,344
2024	11,621,840	1,460,000	933,731	14,015,571
2025	9,950,585	1,535,000	858,856	12,344,441
2026	10,007,295	1,615,000	780,106	12,402,401
2027	6,903,125	1,700,000	697,231	9,300,356
2028	6,450,212	1,785,000	610,106	8,845,318
2029	5,934,895	1,875,000	518,606	8,328,501
2030	5,430,421	1,975,000	422,356	7,827,777
2031	5,435,229	2,070,000	321,231	7,826,460
2032	5,430,213	2,180,000	214,981	7,825,194
2033	2,915,831	2,270,000	126,431	5,312,262
2034	933,364	2,340,000	55,819	3,329,183
2035	920,274	50,000	18,444	988,718
2036	2,883,006	50,000	16,819	2,949,825
2037	0	50,000	15,163	65,163
2038	0	55,000	13,391	68,391
2039	0	55,000	11,534	66,534
2040	0	55,000	9,678	64,678
2041	0	60,000	7,700	67,700
2042	0	60,000	5,600	65,600
2043	0	65,000	3,413	68,413
2044	0	65,000	1,138	66,138
Total	<u>\$ 168,626,722</u>	<u>\$26,565,000</u>	<u>\$10,500,117</u>	<u>\$205,691,839</u>

- (1) Totals may not add due to rounding.
(2) Interest rates estimated from 3.00% to 5.00%.
(3) Preliminary, subject to change.

Pay-As-You-Go Financing

For years, the County has utilized a plan of “pay-as-you-go” financing. Under this financing program, the County finances the construction of certain capital projects by appropriation of revenues from the current funds of the County. In financing by this program, the County sought to reduce the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of the capital projects. The following table sets forth the County’s pay-as-you-go financing expenditures for the five most recent audited fiscal years ended June 30:

<u>Pay-As-You-Go</u>	
2013	\$92,751
2014	2,840,429
2015	1,537,667
2016	2,271,900
2017	2,612,200

Source: Calvert County Department of Finance and Budget.

Future Plans to Issue Debt

The County’s capital improvement plan is an ongoing process which requires periodic issuance of the County’s general obligation bonds to fund portions of such a program.

The following chart shows the approved fiscal year 2018 Capital Projects Budget with projections for fiscal years 2019 through 2023 (shown in thousands of dollars).

<u>Project Category</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Board of Education	\$29,145.0	\$24,790.0	\$10,713.0	\$5,430.0	\$22,185.0	\$11,377.0
Public Facilities	6,756.5	11,079.6	21,102.7	21,055.4	2,315.1	2,246.1
Town Centers	157.2	407.0	22.0	22.0	22.0	22.0
Technology Services	1,920.6	1,510.6	1,470.0	950.0	760.0	950.0
Recreation Resources	2,421.7	2,930.1	9,145.4	3,784.4	2,568.3	1,892.4
Public Works - Transportation	1,530.0	1,575.0	2,190.0	3,400.0	6,940.0	5,920.0
Public Safety	8,592.0	1,420.0	2,809.0	2,098.0	2,198.0	2,491.0
Utilities	4,168.3	8,423.4	7,683.2	8,572.0	4,216.7	283.0
Total Expenditures	<u>\$54,691.3</u>	<u>\$52,135.7</u>	<u>\$55,135.3</u>	<u>\$45,311.8</u>	<u>\$41,205.1</u>	<u>\$25,181.5</u>
<u>Source of Funding</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
County Funding	\$3,041.3	\$4,328.8	\$3,883.4	\$2,318.4	\$3,193.1	\$2,440.1
Bond Funding-General Fund	25,812.0	21,783.6	36,624.3	29,740.6	20,459.1	15,378.2
Bond Funding-Enterprise Fund	2,940.4	3,558.5	4,959.0	3,406.7	2,286.8	0
State Grant/Loans	18,951.5	13,106.4	4,842.2	6,829.2	13,157.2	4,707.5
Excise Tax	3,946.1	4,019.0	3,248.9	2,598.3	1,376.0	2,372.8
Cap Conn/Other	0	5,339.5	1,577.5	418.6	733.0	283.0
Total Revenues	<u>\$54,691.3</u>	<u>\$52,135.7</u>	<u>\$55,135.3</u>	<u>\$45,311.8</u>	<u>\$41,205.1</u>	<u>\$25,181.5</u>

Source: Calvert County Department of Finance and Budget.

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CERTAIN SERVICES AND RESPONSIBILITIES

Planning and Zoning

Calvert County maintains an effective comprehensive planning program. As per State law, the planning process is under the direction of the Planning Commission, which prepares and approves the Calvert County Comprehensive Plan and the Town Center Master Plans. Subdivision and site plan review is also under the direction of the Planning Commission. As per State law, the Board of County Commissioners adopts plans and develops and implements zoning regulations and building codes. The Board also maintains special programs, such as land preservation and historic preservation.

The 1997 Comprehensive Plan recognized the consequences of unlimited, rapid residential growth. The Plan called for a four step process: reduce total residential build-out, reduce the rate of residential growth, preserve the County's prime farms, forests, historic resources and sensitive areas, and direct growth to appropriate locations.

The current Calvert County Comprehensive Plan, adopted in 2004 and amended in 2010, is the official policy document for the County. The Board of County Commissioners, Planning Commission, and County departments use the Plan as a guide when evaluating proposed projects or changes to the Zoning Ordinance. The State uses the Plan to determine whether or not to provide state funding for a local project. The goal of the Comprehensive Plan is to maintain and/or improve the overall quality of life for all citizens of Calvert County by promoting sustainable development, encouraging a stable and enduring economic base, providing for safety, health, and education, and preserving the natural, cultural, and historic assets of Calvert County. The Planning Commission is preparing an updated Calvert County Comprehensive Plan that looks out to the year 2040.

The County has developed master plans and zoning regulations for each of the seven Town Centers under County control. The Town Center master plans are long-range plans intended to guide the development of these County-designated growth areas. The master plans include recommendations on a variety of topics, including land use, transportation, and community facilities, such as recreation.

Utilities

Electricity

The Southern Maryland Electric Cooperative, Inc. ("SMECO") is owned by its customers and supplies electricity to Charles and St. Mary's Counties and portions of Calvert and Prince George's Counties. SMECO does not generate electricity, but purchases it at the best rate from several electric suppliers.

Baltimore Gas and Electric Company also supplies electricity to the northeastern portion of Calvert County.

Calvert Cliffs Nuclear Power Plant is owned by Exelon based in Chicago, Illinois. Calvert Cliffs provides approximately 1,750 megawatts of electricity in the State of Maryland, serving approximately one million customers. While not the local energy provider, the facility has significant economic impact. Calvert Cliffs began operations in 1975 and was the first nuclear plant in the United States to achieve relicensing for both reactors. The majority of Calvert Cliffs' approximately 900 employees live in the region. During refueling outages, the station employs several hundred additional contractors who boost the local economy during their stay. In fiscal year 2017, Calvert Cliffs paid approximately \$23.8 million in annual taxes to the County.

Gas

Washington Gas Light Company owns the franchise to provide natural gas service to Calvert County. Natural gas service began in Prince Frederick in 1991.

Cove Point Liquefied Natural Gas Plant ("Cove Point LNG") is owned by Dominion Power based in Richmond, Virginia. Cove Point LNG provides gas storage and pipeline service to customers through an 87-mile pipeline running to Loudoun County, Virginia. To meet the demands of the growing markets in the Mid-Atlantic and Northeastern regions of the United States, the company expanded the existing facility to increase storage and output capacity. This expansion more than doubled their prior value to \$671 million taxable assessment for fiscal year 2011.

In addition, Dominion received approval from the federal government to allow it to export liquefied natural gas (LNG). The facility is currently under expansion with an estimated investment of \$3.8 billion. The export facility went into service in April 2018. This project has had a significant economic impact on the County throughout construction and is expected to bring new revenues in future years.

The County entered into a PILOT (payment in-lieu of taxes) agreement with Dominion in November 2013. The terms of the PILOT agreement include a one-time payment in fiscal year 2018 of \$25.0 million, which the County received in January 2018. Upon completion of the five-year PILOT, Dominion Cove Point will receive a 42 percent relief on real and personal property taxes for nine years. At the end of the tax relief period, the facility becomes taxable at 100 percent of its value.

Cove Point's natural gas pipeline is connected to Dominion Transmission's interstate pipeline, as well as to other interstate pipelines that have access to the growing natural gas supplies in the region. Using Dominion Cove Point as an export facility would provide producers with new international markets.

Water

Groundwater is Calvert County's primary water source and is readily obtainable in sufficient quantities to supply current residential and commercial needs. Recent aquifer studies indicate sufficient supply to meet projected needs beyond the year 2025.

Groundwater usage is confined primarily to residential, commercial units, and the industrial demands of the Calvert Cliffs Nuclear Power Plant and the Cove Point LNG.

Eighteen municipal water systems are owned and operated by Calvert County. One municipal water system is owned and operated by the Town of North Beach. One is owned and operated by the Town of Chesapeake Beach. Four municipal wastewater treatment plants (WWTP) are owned by Calvert County, and one municipal wastewater treatment plant is jointly owned by Calvert County, the Towns of Chesapeake Beach and North Beach, and Anne Arundel County.

The Department of Public Works, Water and Sewer Division is responsible for the planning, design, construction and maintenance of County-owned water and sewerage systems.

The County is authorized and directed at any time to set rates and fees as deemed necessary to insure that the water and sewer systems operate within the respective revenues. The County reviews the rates annually and adjusts rates as needed.

The County contractually operates one water system and wastewater treatment facility for a private community, as well as one high school wastewater treatment plant for the Board of Education. The Sanitary Districts are under the jurisdiction and control of the Board of County Commissioners.

The location of new community and sewerage systems and the extension of existing systems are done in accordance with the County Comprehensive Water and Sewer Plan which is consistent with the County Comprehensive Plan. Those properties that are not served by the Sanitary District water and sewerage systems are served by individual or private systems.

The County, by ordinance or resolution, may make a charge for each water and sewer connection. The funds derived from these charges may be used for payment of principal and interest on bonds, accumulating funds for capital improvements, and for the purchase of equipment for the systems. The County re-evaluated the fee structure for these connections in 2009.

For the purpose of providing funds to maintain and operate its water supply and sewerage systems, and for the payment of bonded indebtedness, the County may assess charges which shall consist of either a base charge for service and a variable charge based on water consumption, a minimum, or ready-to-service charge. These charges are due quarterly when presented and after 40 days from that date bear interest at a rate of 8% per annum.

For the purpose of providing funds to finance the design, engineering, construction and extension of a water supply or sewerage system, the County is authorized to borrow money through the issuance and sale upon the full faith and credit of the County of its general obligation bonds. See "CERTAIN DEBT INFORMATION – General".

At present, the majority of Calvert County residents use on-site sewerage disposal systems. Provision of public sewage treatment facilities is confined to the following high density development zones and special zones:

<u>Sewage Treatment Systems</u>	<u>Design Flow Capacity (MGD)</u>	<u>FY2017 Actual Flow (MGD)</u>
Prince Frederick WWTP I.....	0.450	0.182
Prince Frederick WWTP II	0.300	0.379
Industrial Park WWTP.....	0.030	Decommissioned
Northern High WWTP	0.025	0.006
Solomons WWTP.....	0.700	0.384
Marley Run WWTP	0.040	0.029
Huntingtown High WWTP.....	0.011	Decommissioned

Solid Waste and Recycling Enterprise Fund

In fiscal year 1992, the Solid Waste and Recycling Fund was established as a self-supporting enterprise fund. The current fees, approved by the Board of County Commissioners are as follows:

1. A landfill excise tax for all new residential and commercial construction, which is \$350 for residential construction or \$0.11 per sq. ft. for commercial construction.
2. Effective July 1, 2017, a tip fee of \$70.72 per ton for residential users and \$78.57 per ton for commercial users; and
3. A solid waste fee of \$123 per household.

The County opened its landfill site in March 1993. The site consists of 10 acres lined and in use. Another 20 acres are permitted with an additional 20 acres available to be permitted. The landfill was designed with state-of-the-art environmental safeguards and was constructed using the latest in landfill technology. On July 1, 1997, the County contracted with Waste Management, Inc. to operate a waste transfer facility. This agreement is for a 20-year term with one 5-year renewal. The majority of the County’s waste is transferred out-of-state for disposal with only a minimal amount of trash deposited in the landfill to keep the permit active. This arrangement has saved valuable landfill space and has extended the life of the landfill by at least 20 years. This agreement, combined with the life expectancy of the landfill, has addressed the County’s solid waste needs until 2042.

The long-range plan calls for reserves or “sinking funds” to be created for all capital costs for solid waste and recycling, with the exception of the development of Cells III and IV.

Law Enforcement, Fire Protection and Ambulance Service

Police protection is provided by the County Sheriff’s Office and the Maryland State Police. The municipalities of North Beach and Chesapeake Beach provide police protection within their jurisdictions by contracting with the Sheriff’s Office. A contractual security service agreement also exists with Dominion Cove Point LNG, LP. Currently, there are 40 State police and 130 deputies. The expenses for the Sheriff’s Department for fiscal year 2017 were \$15,431,490. The budget for fiscal year 2018 is \$15,924,412.

Currently, five combination fire-rescue-EMS stations, one fire station, one rescue station, one fire-rescue-EMS annex, one advanced life support unit, and one rescue dive team are located in Calvert County and is 100% supported by our volunteers. Their equipment includes 14 ambulances, 40 pieces of fire apparatus, 25 chief/command/utility vehicles, five medic units, two air cascade trailers, one dive rescue unit, three rescue boats, and six zodiac boats. The expenses for the fire-rescue-EMS service in fiscal year 2017 were \$4,346,944. The fiscal year 2018 budget is \$4,747,045.

In calendar year 1992, the County expanded its Detention Center. This expansion created total bed capacity of 172. Since that time, due to demand, by adjusting accommodations, the capacity of the facility increased to 272 of which approximately 91% on average stay in constant use. In 1992, the Calvert County Treatment Facility was also constructed. In 2011, the Calvert County Treatment Facility was renovated for the expansion of the detention center and work release operations. The renovated area added approximately 80 work release beds.

Roads

Calvert County has approximately 691 miles of improved road facilities of which approximately 467 miles are County-owned and maintained. The State owns and maintains approximately 125 miles of roads and the towns of North Beach and Chesapeake Beach collectively own and maintain approximately 25 miles of roads. In addition, there are private roads (improved and unimproved/maintained and unmaintained) within in the County. The County's portion of the road system is served by a maintenance division of 33 full-time employees and the necessary related maintenance equipment. The County maintenance unit is supplemented by private contractor's services as the seasonal needs arise. The County-owned road system is expanded at an average rate of 0.5-1% per year due to the additions of commercial and residential developments within the County's boundaries. No unimproved roadways are accepted into the current roadway system.

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SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population

The population of Calvert County has increased 633% over the last 60 years as set forth below.

2010	88,737
2000	74,563
1990	51,372
1980	34,638
1970	20,682
1960	15,826
1950	12,100

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

The following table sets forth the population of Calvert County in its two incorporated municipalities for the years 1980, 1990, 2000 and 2010.

<u>Municipality</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Chesapeake Beach.....	1,408	2,403	3,180	9,919
North Beach.....	1,504	1,179	1,880	4,345

Source: U.S. Department of Commerce, U.S. Census Bureau, Official Population Count, 1980, 1990, 2000 and 2010.

The following table sets forth the most recently published age and sex distribution estimates for Calvert County for the Census years 1990, 2000 and 2010.

<u>Age</u>	<u>1990</u>				<u>2000</u>				<u>2010</u>			
	<u>Male</u>	<u>%</u>	<u>Female</u>	<u>%</u>	<u>Male</u>	<u>%</u>	<u>Female</u>	<u>%</u>	<u>Male</u>	<u>%</u>	<u>Female</u>	<u>%</u>
0-4	2,086	8.2	1,980	7.6	2,528	6.9	2,549	6.7	2,594	5.9	2,394	5.3
5-19	6,098	23.9	5,756	22.2	9,707	26.4	9,016	23.9	10,494	24.0	10,045	22.3
20-44	10,436	40.9	10,880	42.0	12,850	35.0	13,809	36.5	12,790	29.3	13,384	29.7
45-64	4,959	19.4	4,595	17.7	8,910	24.2	8,567	22.7	13,533	31.0	13,820	30.7
65+.....	<u>1,908</u>	<u>7.6</u>	<u>2,675</u>	<u>10.5</u>	<u>2,772</u>	<u>7.5</u>	<u>3,855</u>	<u>10.2</u>	<u>4,302</u>	<u>9.8</u>	<u>5,381</u>	<u>12.0</u>
Total.....	<u>25,487</u>	<u>100.0%</u>	<u>25,885</u>	<u>100.0%</u>	<u>36,767</u>	<u>100.0%</u>	<u>37,796</u>	<u>100.0%</u>	<u>43,713</u>	<u>100.0%</u>	<u>45,024</u>	<u>100.0%</u>

Source: U.S. Department of Commerce, U.S. Census Bureau, Official Population Count 1990, 2000 and 2010.

The average Calvert County household size was 2.85 persons in the 2010 Census, 2.91 persons in the 2000 Census, 3.01 persons in the 1990 Census and 3.19 persons in the 1980 Census.

Business, Employment and Labor

In the following table, annual average statistics are provided relating to the distribution of employment by employer classification by place of work for calendar years 2012 - 2016.

Calvert County Employment by Place of Work

<u>Classification</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contract Construction	1,823	1,793	1,842	2,746	4,078
Finance, insurance, real estate.....	618	606	604	590	568
Transportation, communications and utilities (excluding railroads).....	4,708	4,678	4,642	4,660	4,754
Manufacturing.....	579	596	578	559	575
Service and other.....	9,549	9,582	9,903	9,813	9,993
Local and State Government.....	4,084	4,141	4,094	4,094	4,045
Federal Government.....	<u>138</u>	<u>131</u>	<u>133</u>	<u>117</u>	<u>132</u>
Total	<u>21,499</u>	<u>21,527</u>	<u>21,796</u>	<u>22,579</u>	<u>24,145</u>

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, "Employment and Payrolls". Annual averages for years 2012 - 2016.

Listed below are the ten largest employers located in Calvert County:

Ten Largest Employers

<u>Employer</u>	<u>Principal Products or Activity</u>	<u>2016 Employment</u>	<u>June 2017 Employment</u>
Calvert County Board of Education(1).....	Public Education	2,133	2,125
CalvertHealth Medical Center	Medical Services	1,200	1,315
Calvert County Government.....	Government	1,226	1,252
Exelon/Calvert Cliffs Nuclear Power Plant	Nuclear Power	850	866
Arc of Southern Maryland	Non-Profit	360	460
Giant Food	Grocery Store	360	350
Walmart	Retail Chain	340	340
Safeway	Grocery Store	340	340
Chesapeake Beach Resort and Spa	Hotel	220	300
Direct Mail.com.....	Printing Services	200	180

Source: Calvert County Department of Economic Development.

(1) FTE – Full-Time Equivalent positions.

The number of persons living in Calvert County who were available for work and composed the work force totaled 49,642 in May 2018 and the total employment for this force was 47,877 resulting in an unemployment rate of 3.6% for this period. Certain comparative unemployment rates are given below for May 2018.

Calvert County	3.6%
Charles County	3.8
Frederick County	3.5
Montgomery County.....	3.2
Prince George’s County.....	4.1
State of Maryland	3.9
United States.....	3.8

Source: U.S. Bureau of Labor Statistics. Maryland Department of Labor, Licensing & Regulations, Office of Labor Market Analysis and Information.

Unemployment

The following table indicates the Calvert County’s annual unemployment rate as compared with the other counties of the Maryland portion of the Washington MSA, the State and the United States for the calendar years 2013-2017.

Annual Unemployment Rate by County

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Anne Arundel	5.7%	5.1%	4.4%	3.8%	3.6%
Calvert County	5.9	5.3	4.6	3.9	3.6
Carroll County	5.5	4.8	4.2	3.6	3.4
Charles County	6.5	5.7	5.0	4.2	4.0
Frederick County	5.7	5.1	4.5	3.9	3.6
Montgomery County	4.9	4.4	3.9	3.4	3.3
St. Mary’s County	6.0	5.4	4.8	4.2	4.0

Source: Maryland Department of Labor, Licensing, and Regulation, Division of Workforce Development and Adult Learning, Office of Workforce and Performance, “Local Area Unemployment Statistics (LAUS)”, Annual Averages for years 2013-2017.

Income

Personal income growth in Calvert County, the State and the United States from 2012 to 2016 is shown below.

Calvert County, State of Maryland, and United States Average Per-Capita Personal Income

<u>Calendar Year</u>	<u>Calvert County</u>	<u>Percent Change from Previous Year</u>	<u>State of Maryland</u>	<u>Percent Change from Previous Year</u>	<u>United States</u>	<u>Percent Change from Previous Year</u>
2012.....	\$53,142	1.9%	\$53,323	2.4%	\$44,283	4.3%
2013.....	52,594	(1.0)	52,653	(1.3)	44,489	0.5
2014.....	53,995	2.7	54,036	2.6	46,486	4.5
2015.....	56,232	4.1	56,197	4.0	48,429	4.2
2016.....	57,688	2.6	57,972	3.2	49,204	1.6

Source: U.S. Bureau of Economic Analysis, April 2018.

Calvert County and the State of Maryland Total Personal Income (\$000's)

<u>Calendar Year</u>	<u>Personal Income (\$000's)</u>		<u>Percent Change from Previous Year</u>	
	<u>Calvert County</u>	<u>State of Maryland</u>	<u>Calvert County</u>	<u>State of Maryland</u>
2012.....	\$4,766,035	\$314,159,795	2.4%	3.2%
2013.....	4,758,580	312,369,522	(0.2)	(0.6)
2014.....	4,891,986	322,608,872	2.8	3.3
2015.....	5,095,703	337,212,412	4.2	4.5
2016.....	5,264,074	349,266,576	3.3	3.6

Source: U.S. Bureau of Economic Analysis, April 2018.

Commuting Patterns

The Census Bureau 2016 American Community Survey determined the work commuting patterns for workers 16 years and older for the labor forces of each of Maryland's counties with populations of 65,000 or more and the City of Baltimore. Comparative figures for workers commuting outside the county of residence for the subdivisions in the Maryland portion of the Washington Metropolitan Statistical Area (MSA) are presented below:

Calvert County	45.0%
Frederick County	31.9
Charles County	28.9
Prince George's County.....	19.8
Montgomery County.....	11.2

Source: U.S. Census Bureau, 2012-2016 American Community Survey, Table S0801.

Education

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

Calvert County	94.6 %
Charles County.....	94.7
Frederick County.....	92.4
Montgomery County	89.5
Prince George’s County	82.6
State of Maryland.....	87.6

Source: Maryland Report Card 2017 – 4 Year Adjusted Cohort - Performance Report State and School Systems- Maryland State Department of Education.

The following table sets forth the years of school completed by persons 25 years of age or older as a percentage of the population described in the Census for Calvert County and the other counties in the Maryland portion of the Washington MSA and the State.

	<u>Calvert</u>	<u>Charles</u>	<u>Frederick</u>	<u>Montgomery</u>	<u>Prince George’s</u>	<u>State</u>
Elementary (grades K-8)	1.8%	2.3%	2.8%	5.0%	7.5%	4.1%
High School						
1–3 years.....	4.9	4.9	4.7	3.8	6.7	6.3
4 years.....	30.9	32.3	25.2	14.0	25.9	25.4
College						
No degree.....	25.6	25.2	19.9	13.9	22.6	19.4
Associate degree	7.5	7.9	7.7	5.1	5.8	6.4
Bachelor’s degree.....	16.6	16.5	23.5	26.6	18.0	20.6
Graduate/Professional degree..	12.7	10.9	16.3	31.5	13.4	17.7

Source: Table S1501 - Educational Attainment. U.S. Bureau of the Census, 2012-2016 American Community Survey, American Fact Finder.

Economy

Over the past several decades, Calvert County has transitioned from an agricultural community into a mixed community with both suburban and rural characteristics. This is primarily due to the County’s strategic geographic proximity to Washington, D.C., Baltimore, Annapolis and the Patuxent River Naval Air Station.

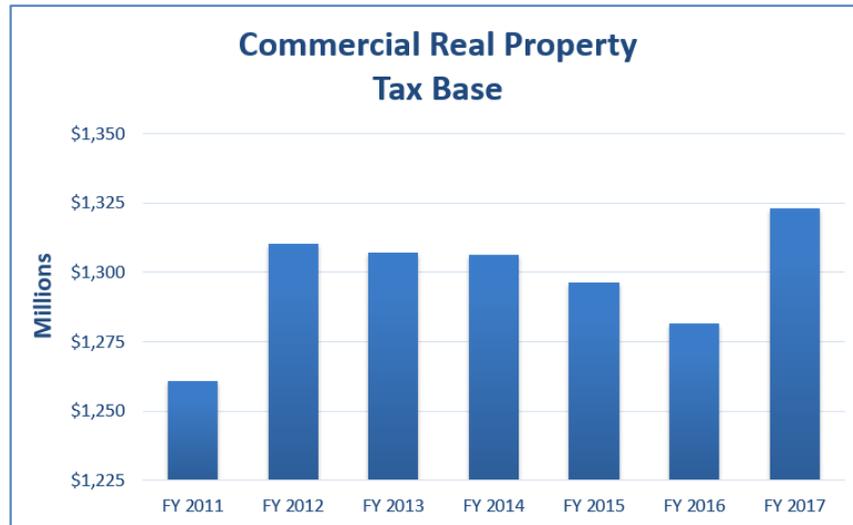
Calvert County’s economy remains stable when compared to other jurisdictions in Maryland and the nation. Several factors have contributed to the economic stability including: 1) a strong and positive local business climate; 2) job market stability; 3) proximity to major employment centers in Washington, D.C. and Virginia; 4) an enhanced focus on business retention and expansion efforts that have served to strengthen and encourage development of the County’s existing industries and provided strong support during a national economic downturn; 5) an enhanced focus on economic development activities; and 6) a strong median household income. The following table reflects jobs located in the County regardless of place of residence.

<u>Year</u>	<u>Total Private Sector Jobs</u>	<u>Financial</u>	<u>Prof/Bus Services</u>	<u>Other Services</u>	<u>Target Market</u>
2012....	17,277	618	1,882	782	3,282
2013....	17,306	606	2,134	712	3,452
2014....	17,569	604	2,136	726	3,466
2015....	18,368	590	1,988	758	3,336
2016....	19,968	568	2,081	815	3,464

Source: Maryland Department of Labor, Licensing and Regulation, Division of Workforce Development and Adult Learning. Office of Workforce Information and Performance 2012-2016.

Commercial Tax Base

The commercial tax base, excluding public utilities, has increased by \$62.1 million or 4.9% between fiscal year 2011 and fiscal year 2017. Between 2011 and 2017, Calvert County recruited \$259.1 million in estimated capital investment accounting for 1.7 million square feet of new commercial space. The total commercial square footage in the County as of March 2018 was 11.0 million square feet.



Source: Calvert County, Maryland, Department of Finance and Budget

Economic Development

The County is involved in several large-scale economic development projects representing traditional business industry growth and continued improvements to utility infrastructure. Two of the County-based utilities, Dominion Cove Point and Exelon Nuclear Generation, remain a large presence in the community and continue to provide significant employment and tax revenue.

Dominion Cove Point (Cove Point) – has completed, and was placed in service on April 9, 2018, the liquefaction export project valued at approximately \$4 billion. With both import and export capability, the terminal will be positioned to provide services to its customers in any market environment. This liquid natural gas export project offers substantial job and tax benefits to Calvert County, with estimated tax revenue to exceed \$50 million in 2018. Dominion Cove Point’s total permanent employment is approximately 200 people.

SMECO – the Southern Maryland Electric Cooperative will undertake a \$5.7 million dollar expansion of its transmission delivery system during 2017 and 2018 as part of the ongoing Calvert County Reliability project. Work continues and is expected to be completed in 2018.

Calvert County Industrial Park (CCIP) - The Calvert County Economic Development Authority currently manages the CCIP. During the past year, CCIP remained stable and remains a strong employment center with 70 businesses and over 1,200 employees at various businesses.

Patuxent Business Park (PBP) & Lusby Town Center - The County serves as the development manager of PBP in Lusby. At buildout, PBP will ultimately yield approximately 700,000+ square feet of Class A office and industrial/flex space. In conjunction with PBP, infrastructure was extended to the Lusby Town Center, a major concentration of commercial development in the County. As a result, expansion continues in the Lusby Town Center yielding new capital investment and retail choices and services for residents of the area.

Dominion Cove Point announced that it would build a 40,000 square foot building at PBP that includes a warehouse and office facility, along with a corporate helipad. Construction was completed in April 2017.

To encourage further development at PBP, the County continues to refocus marketing efforts to expand targeted industries for PBP that includes light industrial uses. A majority of PBP remains set aside as planned commercial inventory for future commercial expansion in the County. The County is currently engaged with several potential buyers and is utilizing the services of a professional commercial real estate firm to promote the property.

In addition to development at PBP, the County Commissioners adopted a local law that authorized a Commerce Zone – an automatic real property tax credit specific to PBP. Several incentives that benefit the park remain available in addition to this new economic development tool.

Armory Square - Armory Square is planned to be a mixed-used design that involves two separate developers. All of the zoning has been updated to accommodate up to 75,000 square feet and up to the first 950’ from Route 4, with an additional add on of a new provision that allows up to 150,000 square feet on the back parcel, plus garden centers. The total project area is 100 acres in the heart of the county seat, Prince Frederick. The vision for the project includes:

- Walkable network of streets
- A wide variety of housing within a five minute walk
- A range of retailing options – from small, specialty retailers to large box retailers
- Highly detailed central public space
- Entertainment/hospitality
- Extensive landscaping

Tourism

Calvert County has many natural, cultural, recreational and historical resources that appeal to both residents and visitors alike. The impact of the travel/visitor industry on the County’s economy is significant. In 2016 (*latest numbers available*), the industry employed 2,089 workers in Calvert County. Total tourism tax receipts were \$39.9 million. Total tourism industry sales increased from \$133.3 million in 2012 to \$151.9 million in 2016. Finally, Calvert County’s 2016 visitor counts increased by 89,773 or 27.5% over 2013.

<i>Impact of Travel on Calvert County (Calendar Year 2016)</i>	
Tourism Industry Sales	\$151.9 million
Tourism Labor Income	\$ 86.5 million
Total Tourism Tax Receipts	\$ 39.9 million
Tourism Employment	2,089

Source: Tourism Economics, An Oxford Economics Company

Agriculture

Farms comprise 32,901 acres or 24% of the total land area in Calvert County. According to the 2012 Census of Agriculture, most farms in Calvert County consist of less than 180 acres with an average size of 122 acres. In fiscal year 2014, the agricultural base accounts for \$272.5 million, or 2% of the total base.

Of the 269 farms reported, 121 of the farm operators are full-time operators. There are a significant number of farms raising cattle, other livestock and horses with over 80 farms claiming involvement in the equine industry.

Because agriculture plays a role in economic development, the County continues to focus efforts on growth within the industry as some farm operations shift from traditional agriculture to agri-tourism. Several activities undertaken by the County to support this shift include execution of annual Farm Tour/education event, creation and promotion of new agri-tourism visitor products including new wine and brewery tours, farmers markets and other ongoing, marketing efforts.

CERTAIN COMMUNITY RESOURCES IN CALVERT COUNTY

Education

Public Elementary, Middle, and Secondary Schools

The educational philosophy of the Calvert County School system is determined by the Board of Education, with the assistance of the Superintendent and their professional staff. The Board of Education is elected by the voters of the County. The Board of Education is responsible for formulating school policies, prescribing rules and regulations for the conduct and management of public schools, and carrying into effect State education laws and policies.

The education program includes grades pre-kindergarten through 12. Improved facilities and programs for the gifted and the handicapped, programs to identify children with learning problems at an early stage, remedial programs, and testing programs to evaluate the effectiveness of instruction in a number of areas have been added to address the needs of special populations.

The public school system consists of 13 elementary schools, six middle schools, and four high schools, a vocational training center, a planetarium, and a special education center designed for the education of the physically and mentally impaired. The September 2016 enrollment in the public schools was approximately 15,569 students (“FTE”). The projected enrollment for 2017 is 15,433, excluding students enrolled in pre-kindergarten.

The following table presents the expenditures, and appropriations of local funds spent or proposed to be spent on public elementary, middle and secondary education for fiscal years 2016, 2017, and 2018, respectively:

	<u>Fiscal Year</u>	<u>Amount</u>
Expenditures	2016	\$ 114,876,122
Expenditures	2017	114,717,289
Appropriations	2018	120,670,112

Higher Education

Community College

In the fall of 1982, the Community College at Calvert County (the “College”) opened as a satellite campus of Charles County Community College, which is accredited by the Middle States Association of Colleges and Schools. The County purchased a facility in 1987 for the College, which allowed it to offer day and evening classes. In 2001, a regional college concept was approved by the general assembly and the name was changed to the College of Southern Maryland. The College of Southern Maryland at Prince Frederick constructed a flagship building on a 75-acre parcel purchased in 1998. The property is located on Route 231 in Prince Frederick. The first building opened in the fall of 2005 and provided 64,000 square feet on two levels. The second building opened in the fall of 2013 and added 30,000 square feet of additional academic space, consisting of graphics, classrooms, labs and a large multi-purpose room. The College of Southern Maryland is made up of four campuses in the three southern Maryland counties and is supported by funding from all three counties, the State, and tuition and fees.

The 2017 fall enrollment for full-time equivalents (FTE) for the tri-county campuses was 2,095. The Prince Frederick campus FTE fall enrollment for 2017 was 383. The fall 2017 commencement awarded a total of 1,272 associate’s degrees and 701 certificates with Calvert County residents receiving 266 associate’s degrees and 150 certificates. The College’s programs of study are organized into five types: transfer, career, certificate, letter of recognition and continuing education. The transfer and career curricula are two-year programs leading to an Associate in Arts degree in arts & science, applied science technology, business administration, computer programming, microcomputers, general studies, management development, nursing (first year), and teacher education. In addition, the College offers certificate programs in the areas of early childhood development, basic accounting, advanced accounting, management development, and management skills.

The following table represents expenditures, appropriations, and proposed local revenue spent or to be spent if approved on higher education in Calvert County in fiscal years 2016, 2017, and 2018 respectively:

	<u>Fiscal Year</u>	<u>Amount</u>
Expenditures	2016	\$ 4,581,962
Expenditures	2017	4,580,050
Appropriations	2018	4,597,192

Medical Facilities

Hospital

Calvert Memorial Hospital of Calvert County has 134 licensed beds and is located in Prince Frederick, the geographic center of Calvert County. The hospital was completed in 1978 and expanded in 1982 and 1999, with the most current expansion project completed in September 2007. The facility provides a full range of outpatient, inpatient, ambulatory health and psychiatric services.

Nursing Home

There are currently 292 nursing home beds in Calvert County. The Calvert Nursing Center has 149 beds, Solomons Nursing Center has 95 beds and Asbury Solomons Island has 48 beds. Other nursing homes are located in adjacent Charles, St. Mary's and Prince George's Counties.

Recreation

Parks & Recreation and Natural Resource Parks

The Calvert County Department of Parks and Recreation conducts a variety of programs and activities for Calvert County residents and visitors. The Department also manages over 2,000 acres of both active and passive park land. Typical recreational activities include arts and crafts, dance, fitness, martial arts, music, education/development, special interest, workshops, trips, nature programs and sports activities. The Department also offers summer sports camps, and summer youth camp programs such as Super Summer and Teen Camp. Therapeutic recreation offers specialized programs as well as assistance to persons with special needs who may require assistance in order to participate in general recreational programs. Recreation programs are offered at six county-owned community centers, eight county-owned parks, nature parks and 20 school-community centers. Calvert County has three major district parks: Hallowing Point, Dunkirk District and Cove Point, which provide a variety of athletic facilities such as tennis courts, multi-purpose fields, basketball courts, tennis courts, as well as, picnic areas, exercise trails and playgrounds. The outdoor family aquatic center at Cove Point Park is a popular summertime venue. Additional athletic facilities are provided at Twin Shields Recreation Area, Marley Run Recreation Area, BGE Field, St. Leonard Recreation Area and Solomons Town Center Park. Specialized facilities include the Grays Road Dog Park and a skateboard park and dog park at Dunkirk District Park. The Department also manages Breezy Point Beach and Campground. This facility offers tent and trailer camping, a fishing pier, picnic areas, and swimming in the Chesapeake Bay. The County owns and operates Chesapeake Hills Golf Course in Lusby, an 18-hole course with driving range and clubhouse. In 2013, the County purchased 223 acres in Dunkirk to be developed as Ward Farm Recreation and Nature Park with groundbreaking slated for 2018. In 2017, Calvert County purchased a 22-acre site to be the home of the new Harriet E. Brown Community Center. The County manages the state-owned Kings Landing Park, a 260-acre park on the Patuxent River, which provides river access for fishing, kayaking/canoeing, camping cabins, trails, and a horse riding ring. The County also operates a public swimming pool at the park. The County facilitates the contract for the public boat launches located at the state-owned Solomons Island boat ramp. Other natural resource areas operated by Calvert County include the Battle Creek Nature Center, Hughes Tree Farm, Biscoe Gray Heritage Farm, and Flag Ponds Nature Park which is known for views of the Calvert Cliffs and fossil hunting on the beach.

The public can also access and enjoy the great outdoors at a number of state-owned facilities in Calvert County. Calvert Cliffs State Park (approximately 1,200 acres) has a fishing pond, and thirteen miles of trail system, including a self-guided nature trail, large playground and access to the Chesapeake Bay. Jefferson Patterson Park and Museum (JPPM) (approximately 500 acres) is administered by the Maryland Historical Trust and dedicated to the interpretation of the historical and archeological resources of Calvert County. JPPM offers educational programs, workshops, and events such as Children's Day on the Farm and Native American Heritage Day.

Cultural Attractions

The Calvert Marine Museum in Solomons offers Smithsonian quality on a local scale. Exhibits on the paleontology of the Miocene epoch, the Maritime Heritage of Southern Maryland, and a 15 tank aquarium which features aquatic life of the Chesapeake Bay offer a vibrant, interactive learning experience. There is also a Discovery Room, a marsh walk, and The Museum Store. The museum owns two historic lighthouses, and the J.C. Lore & Sons Oyster House. Two iconic Chesapeake workboats offer regular cruises: the former buyboat *Wm B. Tennison*, one of the oldest Coast Guard inspected passenger vessels still operating in the Chesapeake, and the skipjack *Dee of St. Mary's*, used for educational programs. The museum is opened daily, year-round.

The Chesapeake Beach Railway Museum in Chesapeake Beach is located in the original train depot on its original site adjacent to the Chesapeake Bay. This museum focuses on collecting, preserving, interpreting, and exhibiting objects, artifacts, and photographs relating to the history of the Chesapeake Beach Railway, and the towns and resorts of Chesapeake Beach and North Beach.

Housing

The number of new residential dwelling building permits issued for Calvert County, including incorporated municipalities for the fiscal years ended June 30, 2013 through 2017, are listed below.

	Building Permits for Dwelling Units Issued
2013.....	286
2014.....	240
2015.....	328
2016.....	215
2017.....	275

Source: Calvert County Department of Inspections and Permits.

Construction Activity

Construction activity as illustrated by the number of use and occupancy permits issued and their estimated value is reflected below.

	Use and Occupancy Permits Year Ended June 30							
	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>	
	<u>Issued</u>	<u>Value (1)</u>	<u>Issued</u>	<u>Value (1)</u>	<u>Issued</u>	<u>Value (1)</u>	<u>Issued</u>	<u>Value(1)</u>
Residential.....	269	\$68,921,426	240	\$61,900,095	265	\$68,180,553	275	\$70,771,414
Commercial.....	<u>20</u>	<u>16,431,004</u>	30	<u>7,809,500</u>	<u>27</u>	<u>8,260,220</u>	<u>26</u>	<u>8,574,108</u>
Total.....	<u>289</u>	<u>\$85,352,430</u>	<u>270</u>	<u>\$69,709,595</u>	<u>292</u>	<u>\$76,440,773</u>	<u>301</u>	<u>\$79,445,522</u>

Note: Residential includes residential property.
 Source: Calvert County Department of Inspections and Permits.
 (1) Values based on applicant’s estimates.

Land Use

Calvert County’s land use is predominantly agricultural and woodland, with about 51,492 acres or 37.5% having been developed. The following table shows the current estimated land use within Calvert County.

	<u>Acres*</u>	<u>Percentage</u>
Development.....	52,457	38.2%
Forest.....	60,994	44.41
Agricultural.....	20,483	14.92
Other.....	<u>3,395</u>	<u>2.47</u>
Total.....	<u>137,329</u>	<u>100.0%</u>

* Assessed properties only.
 Source: Maryland Department of State Planning, and Calvert County Department of Planning and Zoning.

LITIGATION

The County is a party to numerous legal proceedings of the type which normally occur in governmental operations. The pending legal proceedings are not, in the opinion of the County Attorney, John B. Norris, III, likely to have a material adverse impact on the County's financial condition.

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

SALE AT COMPETITIVE BIDDING

The Bonds were offered for sale by the County at competitive sale on July 24, 2018 in accordance with the official Notice of Sale (the form of which is attached as Appendix C). The interest rates shown on the inside front cover of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive sale. The yields or prices shown on the inside front cover of this Official Statement are based on information supplied to the County by the successful bidder. Any other information concerning the terms of reoffering of the Bonds, if any, including yields or prices, should be obtained from the successful bidder and not from the County.

RELIANCE ON ACCOUNTANTS

The financial statements included in Appendix A have been audited by SB & Company, LLC, independent certified public accountants for the County for fiscal year 2017, to the extent stated in their report included in Appendix A. The financial statements have been included in reliance upon the report of such firm, which report is given upon their authority in matters of auditing and accounting.

CERTIFICATE OF COUNTY OFFICIALS

Simultaneously with or before delivery of and payment for the Bonds, the County will furnish to the successful bidder a certificate of the President of the Board of County Commissioners of the County and the Director of Finance and Budget of the County which will state that, to the best of their knowledge and belief, this Official Statement (and any amendment or supplement hereto), 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 herein, in 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 this Official Statement (and any amendment or supplement hereto).

CONTINUING DISCLOSURE

In order to enable participating underwriters (as defined in SEC Rule 15c2-12) 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, directly or through an intermediary, (i) to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, (A) annual financial information and operating data regarding (i) a summary of the County's revenues and expenditures, (ii) a summary of outstanding bonded indebtedness of the County, and (iii) the County's assessed values, tax rates, tax levies and collections; 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, 2018; 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, 2018, 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, in which event the County will provide unaudited financial statements within said time period; (ii) in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB in an electronic format prescribed by the MSRB, directly or through an intermediary, notice of the occurrence with respect to the Bonds of any of the Reportable Events (described below); and (iii) in a timely manner, to the MSRB in an electronic format prescribed by the MSRB, 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 (i)(A) and (i)(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-exempt 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, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the obligated person; (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee, or the change of name of a trustee, if material. The definition of Reportable Events is intended to include all of the fourteen events specified in SEC Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as events relating to debt service reserves, credit enhancements and liquidity providers, and property or other collateral.

The County reserves the right to terminate its obligation to provide annual financial information and notices of Reportable 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)(A) 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; (B) the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel selected by the County, 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 (C) the amendment does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel selected by the County, or by an approving vote of the holders of at least 25% of the outstanding aggregate principal amount of Bonds, or (ii) the County receives an opinion of nationally recognized bond counsel selected by the County to the effect that such amendment is permitted or required by SEC Rule 15c2-12. 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, 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. 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 45 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 Calvert 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 Director of Finance and Budget of the County, Courthouse, 175 Main Street, Prince Frederick, Maryland 20678. 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.

On July 14, 2016, Moody's Investors Service upgraded its rating on the County's general obligation bonds to "Aaa." The County filed a notice of the upgrade with EMMA, but failed to link the notice to all applicable CUSIPs/bond issues and the notice was filed two (2) business days late. The missing links have been corrected. Except as described in this paragraph (to the extent any of the foregoing constitutes a material failure), in the previous five years, the County has not failed to comply in any material respect with any prior continuing disclosure undertaking made pursuant to SEC Rule 15c2-12.

MISCELLANEOUS

The information set forth in this Official Statement is subject to change without notice, and no implication is to be derived therefrom or from the sale of the Bonds that there has been no change in the affairs of the County from the date hereof. 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.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or registered holders of any of the Bonds.

COUNTY COMMISSIONERS OF CALVERT COUNTY

By: _____
Evan K. Slaughenhoupt Jr.
President of the Board of County
Commissioners of Calvert County

Calvert County Maryland

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2017

Prepared by:
Department of Finance & Budget
Calvert County, Maryland

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

JUNE 30, 2017

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Introductory Section



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CALVERT COUNTY GOVERNMENT

Board of County Commissioners

Evan K. Slaughenhaupt Jr., President

Thomas Hejl, Vice President

Mike Hart, Commissioner

Pat Nutter, Commissioner

Steven R. Weems, Commissioner

December 29, 2017

Honorable Members of the Board of County Commissioners of Calvert County,
County Administrator and Citizens of Calvert County

The Comprehensive Annual Financial Report of Calvert County, Maryland for the Fiscal Year ended June 30, 2017, is hereby submitted. Calvert County Code of Public Local Law requires that Calvert County annually issue a report of its financial position and activity, and that this report be audited by certified public accountants. The County is also required to undergo an annual single audit in conformity with the provisions of the Title 2 United States *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Responsibility for both the accuracy of the data and the completeness and reliability of all of the information presented in these reports rests with the County's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of Calvert County Government and its component units.

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate and accurate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures. The cost of a control should not exceed the benefit to be derived from it.

SB & Company, LLC, Independent Certified Public Accountants have audited Calvert County Government's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of Calvert County Government 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 ("clean") opinion that the financial statements are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report. Also prepared by the auditors is a "report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards". This report is presented on pages 122 and 123.

GAAP 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 Calvert County Government's MD&A can be found immediately following the report of the independent auditors starting on page 4.

PROFILE OF THE GOVERNMENT

Calvert County, Maryland was formed as one of the original counties in Maryland in 1654 and has a Commissioner form of government. A board of five Commissioners governs the County and serves the executive and legislative functions. The Commissioners generally derive their authority from those powers and duties prescribed within the laws of the State of Maryland and the Code of Public Local Laws of Calvert County, Maryland. Election of the County Commissioners was amended by the Maryland General Assembly in 2013 so that "[b]eginning with the general election to be held in Calvert County in November 2014: (1) one county commissioner shall be a resident of and shall represent the first election district of the county; (2) one county commissioner shall be a resident of and shall represent the second election district of the county; (3) one county commissioner shall be a resident of and shall represent the third election district of the county; and (4) two county commissioners shall be residents of the county and shall represent the county at large.... Each candidate for the office of county commissioner shall specify at the time of filing a certificate of candidacy whether the candidate is seeking to represent the district in which the candidate resides or to represent the county at large." (2013 Laws of Maryland, Chapter 310).

There are several other elected officials in Calvert County that include: Register of Wills, Sheriff, States Attorney, Treasurer, Mayor of the Town of Chesapeake Beach, Mayor of the Town of North Beach, Clerk of the Circuit Court, and five members of the Board of Education.

The Commissioners appoint a County Administrator who is responsible for the day-to-day administration of the County government. The Commissioners establish policy, enact ordinances, review and approve annual budgets, conduct public hearings and make

decisions on land use matters. The Commissioners also appoint all department heads, members of boards and commissions and represent the county in dealings with other municipalities, the state and federal government. The office of the Commissioners is located at 175 Main Street, Prince Frederick, Maryland, 20678. The main phone number is 410-535-1600 and the website is www.co.cal.md.us.

Calvert County occupies 213 square miles, has 143 miles of shoreline, and serves a population of about 90,000. It is the smallest county in Southern Maryland. Calvert County retains its rural character and agrarian roots, offering good schools, a clean environment and good quality of life. Calvert is a peninsula, bounded by the Chesapeake Bay on the east and the Patuxent River on the west. Steep cliffs and woods predominate on the bay side, while along the Patuxent, rolling fields slip gently down to the river. The County's many creeks provide refuge for wildlife, as well as scenic areas for boating and fishing.

Prince Frederick, the County seat, is located 35 miles southeast of Washington, D.C. and 55 miles south of Baltimore. There are two incorporated towns in Calvert County: North Beach and Chesapeake Beach, located on the bay at the northeast corner of the county. In addition, the Comprehensive Plan identifies seven "town centers." These include (from north to south) Dunkirk, Owings, Huntingtown, Prince Frederick, St. Leonard, Lusby, and Solomons.

The County provides a full range of municipal services, including: public safety, construction and maintenance of highways and streets, sanitation, health and social services, culture/recreation, education, public improvements, planning and zoning, and general administrative services. The County is also financially accountable for legally separate entities which are reported separately within the County's financial statements. The entities that meet these criteria are the Calvert County Board of Education and the Economic Development Authority of Calvert County. Additional information on the component units can be found in Note 1.

Calvert County's annual operating and capital budget represents a comprehensive financial plan for the County effective each year on the first day of July. Each County department, agency, or board receiving county funds submits a budget request to the Commissioners at a public hearing, via the Department of Finance and Budget. Additional public hearings are conducted to obtain taxpayer comments. On or before July 1 of each year, the budget is legally enacted through passage of a resolution. No expenditure of county funds may be made in excess of appropriation at the fund level. A Summary Schedule of Revenues, Expenditures, and Other Financing Sources and Uses - Budget and Actual (budgetary basis) can be found on page xx of this report. The capital projects fund budget is prepared on a project length basis and, accordingly, annual budgetary comparisons are not presented in the basic financial statements and supplemental information.

FACTORS AFFECTING FINANCIAL CONDITION

Local economy: Conservative fiscal management has allowed the County to maintain a sound financial position. Property taxes and income taxes provide the majority (90 percent, fiscal year 2017) of the revenue for the General Fund of the Calvert County Government. Property assessments are expected to continue with their recent, small increases. Actual

Income tax receipts in FY 2017 were slightly under projections. FY 2017 was impacted by an income tax rate increase from 2.8% to 3.0%. That rate was effective only for ½ of the fiscal year. Future projections of income tax use an increasing trend of about 4%.

Property tax, the largest revenue source, represented almost 60 percent of the total General Fund revenue for fiscal year 2017. The number of residential building permits issued in fiscal year 2017 was 275, an increase of about 28 percent or 60 permits from the 215 issued in FY 2016. Property taxes have been buoyed by public utility providers.

Income tax revenue, at 31 percent of the total General Fund revenue for fiscal year 2017, is directly affected by personal income levels, employment levels, and population growth. Our wealthy county sees major swings related to the timing of capital gain recognition reported on income tax returns.

Long-term financial planning: Calvert County annually adopts a Capital Budget and prepares a five year Capital Improvement Plan. There is also a four year financial forecast prepared of general fund revenues and expenses that is included in the annual budget document. These are the County's primary financial management planning tools.

The fiscal year 2018 operating budget demonstrated that education and public safety are the top priorities of the County's administration. The capital improvements program budget for fiscal year 2018 shows the same with education and public safety receiving the largest allocations.

The County continues its policy of maintaining a reserve of 8 percent of current budgeted General Fund expenditures to protect its high credit ratings and provide for a source of funds to be available in the event of "catastrophic" revenue short falls. The County maintains additional reserve funds as a means to handle potential revenue shortfalls, to fund one-time non-recurring expenditures, or in the event of emergency or unplanned expenditures. In addition, the County has assigned a portion of fund balances for accrued leave. The County has experienced regular credit rating upgrades in recent years. The latest ratings, received during fiscal year 2017, were "Aaa" from Moody's Investors Service, Inc., "AAA" from Standard & Poor's, and "AAA" from Fitch Ratings. This is the County's second rating cycle with three "AAA" ratings.

In 1990, the County adopted a debt affordability model to ensure that the debt levels are kept at an affordable, manageable, moderate level. A debt policy was adopted in fiscal year 2009 to comply with the State of Maryland's new requirement. That policy was amended during fiscal year 2014 to reflect some economic changes. The guidelines created in 1990 and ratified in this amended policy, establish maximum acceptable debt ratios. These ratios and their maximum acceptable levels are: 1) debt to assessed value, 1.8 percent and 2) debt service as a percent of general fund revenue, 9.5 percent. Using fiscal year 2017 data, the County's current ratios are as follows: debt to assessed value is 1.10 percent and debt service to general fund revenue is steady from the prior two years at 7.3 percent.

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 Calvert County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2016. 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.

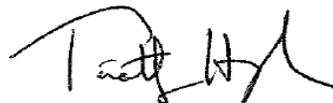
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA Award for Distinguished Budget Presentation for its annual budget dated July 1, 2016 to June 30, 2017. In order to qualify for this Distinguished Budget Award, the County must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium. We believe our current budget continues to conform to program requirements and have submitted it to the GFOA to determine its eligibility for another award.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance and Budget Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report and accurately recording the day to day transactions that make up the report.

I would also like to thank the County Commissioners, the County Administrator and her Deputy, for their leadership and support in planning and conducting the financial operations of the County in a responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tim Hayden', with a stylized flourish at the end.

Tim Hayden, CPA, CMA
Director, Finance and Budget



Government Finance Officers Association

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

Presented to

**County Commissioners
of Calvert County, Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

COUNTY COMMISSIONERS OF CALVERT COUNTY

CERTAIN ELECTED OFFICIALS

Thomas Hejl
President, Board of County Commissioners

Evan K. Slaughenhaupt Jr.
Vice President, Board of County Commissioners

Pat Nutter
Commissioner

Mike Hart
Commissioner

Steven R. Weems
Commissioner

Novalea Tracy-Soper
Treasurer

CERTAIN APPOINTED OFFICIALS

Terry L. Shannon
County Administrator

Wilson H. Parran
Deputy County Administrator

Timothy Hayden
Director of Finance and Budget

J. Mark Willis
Director of Planning and Zoning

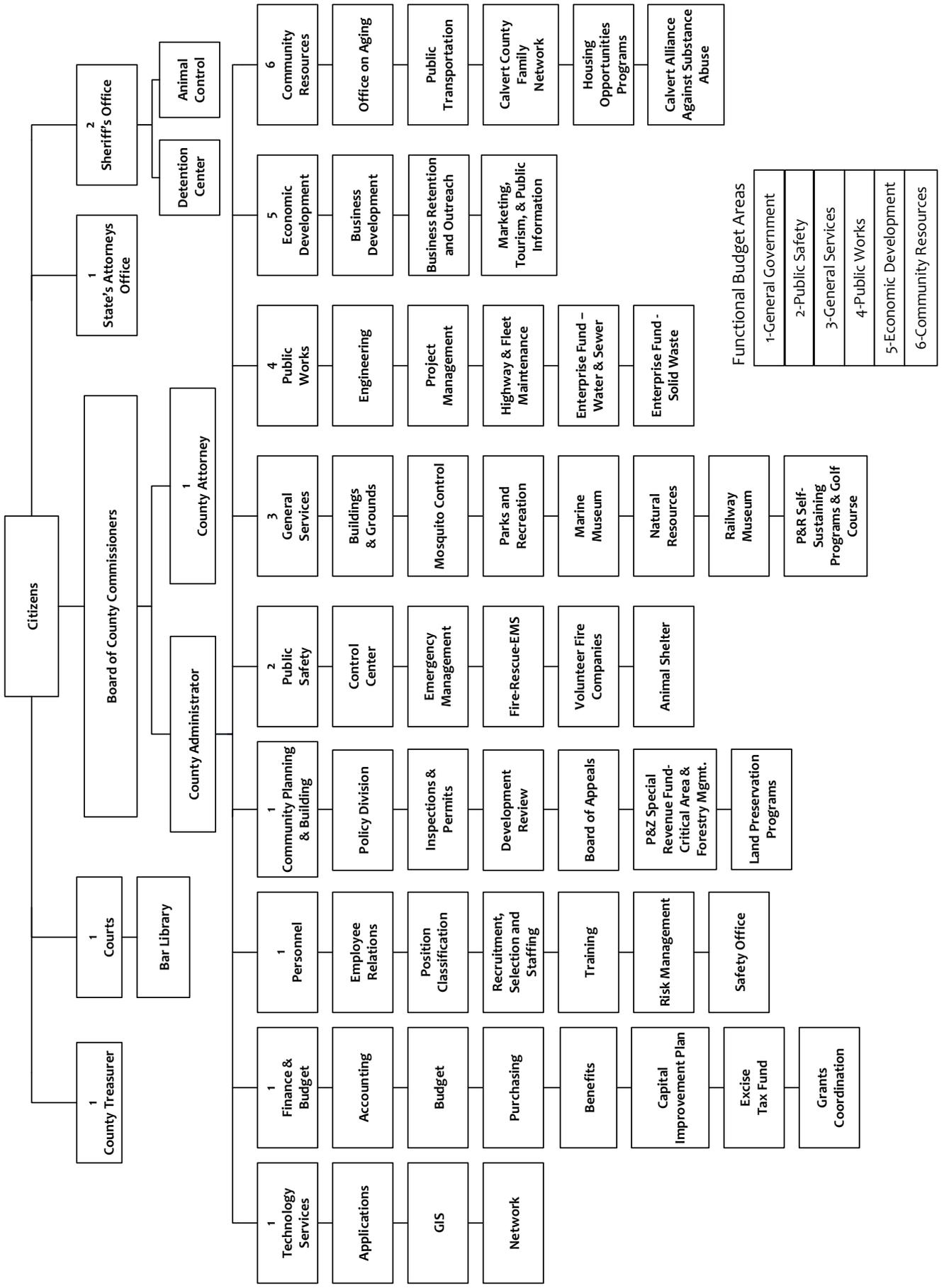
Linda Vassallo
Director of Communications and Media Relations

Kelly Slagle
Director of Economic Development

P. Rai Sharma
Director of Public Works

Shannon Nazzal
Director of Parks and Recreation

Jacqueline K. Vaughan
Director of Public Safety



Functional Budget Areas

1-General Government
2-Public Safety
3-General Services
4-Public Works
5-Economic Development
6-Community Resources

Financial Section



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the County Commissioners of Calvert County, Maryland
Prince Frederick, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Calvert 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Calvert County, Maryland. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based 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.



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

Opinions

In our opinion, based on our audit and the reports of the 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 the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, and the respective budget and actual statements for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in County's net pension liability and related ratios, the schedules of County contributions, and schedules of investment returns for the Volunteer Fire and Rescue Pension fund, Sheriff's Department Pension Plan and Employees Retirement Plan and the schedules of funding progress, employer contributions, schedule of changes in the County's net OPEB liability and related ratios, schedule of County contributions, schedule of investment returns for the Other Post-Employment Benefits (OPEB) Plan, and budget and actual schedule for the capital projects fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, statistical tables and the combining and individual nonmajor funds and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

The introductory and statistical tables 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 it.

Other Reporting Required by Government Auditing Standards

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

Hunt Valley, Maryland
December 29, 2017

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

Government-wide:

- The assets and deferred outflows of resources of Calvert County Government exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$167.5 million (*net position*); approximately 22.0 percent of this amount is attributable to the business-type activities that include the Water and Sewer Fund and the Solid Waste and Recycling Fund. Of total net position, \$164.5 million is the net investment in capital assets, and \$20.1 million is restricted for specific purposes. The County's unrestricted net position is a negative \$17.0 million. This deficit balance in unrestricted net position results primarily from the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions, and related amendment Statement No.71, Pension Transition for Contributions Made Subsequent to Measurement Date*, which required the County to record its net pension liability of \$14.5 million. The business-type activities ended with an unrestricted net position of \$5.8 million. Included as restricted cash, for the primary government, is \$20.7 million of which \$12.4 million represents bond proceeds.
- The government's total net position has increased by \$6.6 million; a \$6.3 million increase was related to the governmental activities and \$355,867 was related to the business-type activities.

Fund Level:

- As of June 30, 2017, the County's governmental funds reported combined fund balances of \$99.4 million, an increase of \$25.7 million from the prior year. Approximately 81.4 percent of this total amount, \$80.9 million is available to meet the County's current and future needs (*committed, assigned and unassigned*). Of this total, \$56.9 million (prior year, \$39.8 million) has been dedicated for certain purposes, including, \$21.9 million for capital projects, \$5.0 million for purposes within special revenue funds and \$5.0 million for vacation and sick leave obligation payout (*GASB 45*).
- The proprietary funds revenue increased by \$1.6 million or 7.4 percent.
- At the close of the current fiscal year, the available fund balance for the General Fund was \$54.1 million (*committed, assigned and unassigned*), or 22.2 percent of total fiscal year 2017 General Fund budgetary expenditures and other financing uses. Nonspendable and

restricted fund balance of the General Fund was \$6.8 million, or 11.2 percent of fund balance.

Overview of the Financial Statements

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

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of Calvert County Government's finances, in a manner comparable to a private-sector business. The government-wide financial statements can be found on pages 16 to 18 of this report. These statements are described next:

- The *statement of net position* presents information on all of Calvert County Government'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 and condition of Calvert County Government is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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 Calvert County Government that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Calvert County Government include: general government, public safety, public works, health and hospitals, social services, education, recreation and culture, conservation of natural resources, urban development and housing, economic development, and debt service. The business-type activities of Calvert County Government include: water and sewer and solid waste & recycling.

The government-wide financial statements include not only Calvert County Government itself (known as the *primary government*), but also legally separate component units. Calvert County Government has the following component units: Calvert County Board of Education and Economic Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

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. Calvert

County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Calvert County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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*.

Calvert County Government maintains 15 individual governmental funds: the General, Planning and Zoning, Board of Library Trustees, Parks and Recreation, the Chesapeake Hills Golf Course, the Calvert Marine Museum, Bar Library, Economic Development Authority Revolving Loan, Revolving Loan, Calvert County Family Network, Excise Tax, Economic Development Incentive, Grants, Land Preservation, and Capital Projects 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 and capital projects funds with a summary of the other funds, referred to as nonmajor governmental funds.

Calvert County Government adopts an annual appropriated budget for its General Fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the General Fund, the County's primary fund. The summary schedule on a budgetary basis for the General Fund can be found on page 22 of this report.

Proprietary funds: Proprietary funds, also known as enterprise funds, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Calvert County Government uses enterprise funds to account for its water and sewer and solid waste and recycling in the basic proprietary fund financials found on pages 23 to 25 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Calvert County Government'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 26 and 27 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 27 to 70 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, other *supplementary information*, and a *statistical section* concerning Calvert County Government. Other supplementary information can be found beginning on page 71 of this report.

Government-wide Financial Analysis

This is the fifteenth reporting period that the Governmental Accounting Standards Board (GASB) Statement No. 34 has been applied in the preparation of the financial statements of Calvert County Government.

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In fiscal year 2017, assets and deferred outflows exceeded liabilities and deferred inflows by \$167.5 million (prior year, \$160.9 million).

As shown in the chart on the following page titled "Calvert County Government's Changes in Net Position" Calvert County Government's net position is divided into three categories:

- *Net invested in capital assets*; it consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net position*; it consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted net position*; it consists of the difference between total net position and its other two components.

Net investment in capital assets includes the County's purchases of land and easements, buildings, machinery, equipment, infrastructure and improvements, less any un-matured debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Restricted net positions are resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

Calvert County's Government's Change in Net Position

	Governmental Activities			Business-type Activities			Total		
	2017	2016	Difference	2017	2016	Difference	2017	2016	Difference
Current and other assets	\$ 150,988,052	\$ 116,317,046	\$ 34,671,006	\$ 9,192,620	\$ 19,973,817	\$ (10,781,197)	\$ 160,180,672	\$ 136,290,863	\$ 23,889,809
Capital assets	191,415,967	189,948,473	1,467,494	62,210,013	48,458,455	13,751,558	253,625,980	238,406,928	15,219,052
Total assets	342,404,019	306,265,519	36,138,500	71,402,633	68,432,272	2,970,361	413,806,652	374,697,791	39,108,861
Deferred outflows of resources	2,557,381	13,396,451	(10,839,070)	12,556	25,111	(12,555)	2,569,937	13,421,562	(10,851,625)
Long-term liabilities	153,820,799	144,142,419	9,678,380	29,885,765	28,145,042	1,740,723	183,706,564	172,287,461	11,419,103
Other liabilities	54,363,711	45,033,738	9,329,973	4,154,509	3,292,491	862,018	58,518,220	48,326,229	10,191,991
Total liabilities	208,184,510	189,176,157	19,008,353	34,040,274	31,437,533	2,602,741	242,224,784	220,613,690	21,611,094
Deferred inflows of resources	6,624,524	6,602,793	21,731	802	1,604	(802)	6,625,326	6,604,397	20,929
Net invested in capital assets	136,372,796	137,904,262	(1,531,466)	28,076,563	26,802,823	1,273,740	164,449,359	164,707,085	(257,726)
Restricted	16,600,615	15,818,117	782,498	3,502,392	2,837,651	664,741	20,103,007	18,655,768	1,447,239
Unrestricted	(22,821,045)	(29,839,359)	7,018,314	5,795,158	7,377,772	(1,582,614)	(17,025,887)	(22,461,587)	5,435,700
Total net position	\$ 130,152,366	\$ 123,883,020	\$ 6,269,346	\$ 37,374,113	\$ 37,018,246	\$ 355,867	\$ 167,526,479	\$ 160,901,266	\$ 6,625,213

Governmental activities: Net position of the Governmental Activities increased by \$6.3 million (prior year, an increase of \$6.6 million). Fiscal year 2017's increase was due mostly to the completion of capital projects resulting in new capital assets.

Business-type activities: Business-type Activities increased Calvert County Government's net position by \$355,867 (prior year, an increase of \$387,678). This result is primarily due to the Solid Waste Fund increase in net position of \$605,260, mostly due to the completion of capital projects resulting in new capital assets. The Water and Sewer Fund had a decrease in net position of \$249,393, explained by lowered usage revenues due to the water meters reaching their useful life and needing replacement, which has begun.

The chart on the following page reflects the revenues and program expenses for the governmental and the business-type activities and the changes in net position for the year ended June 30:

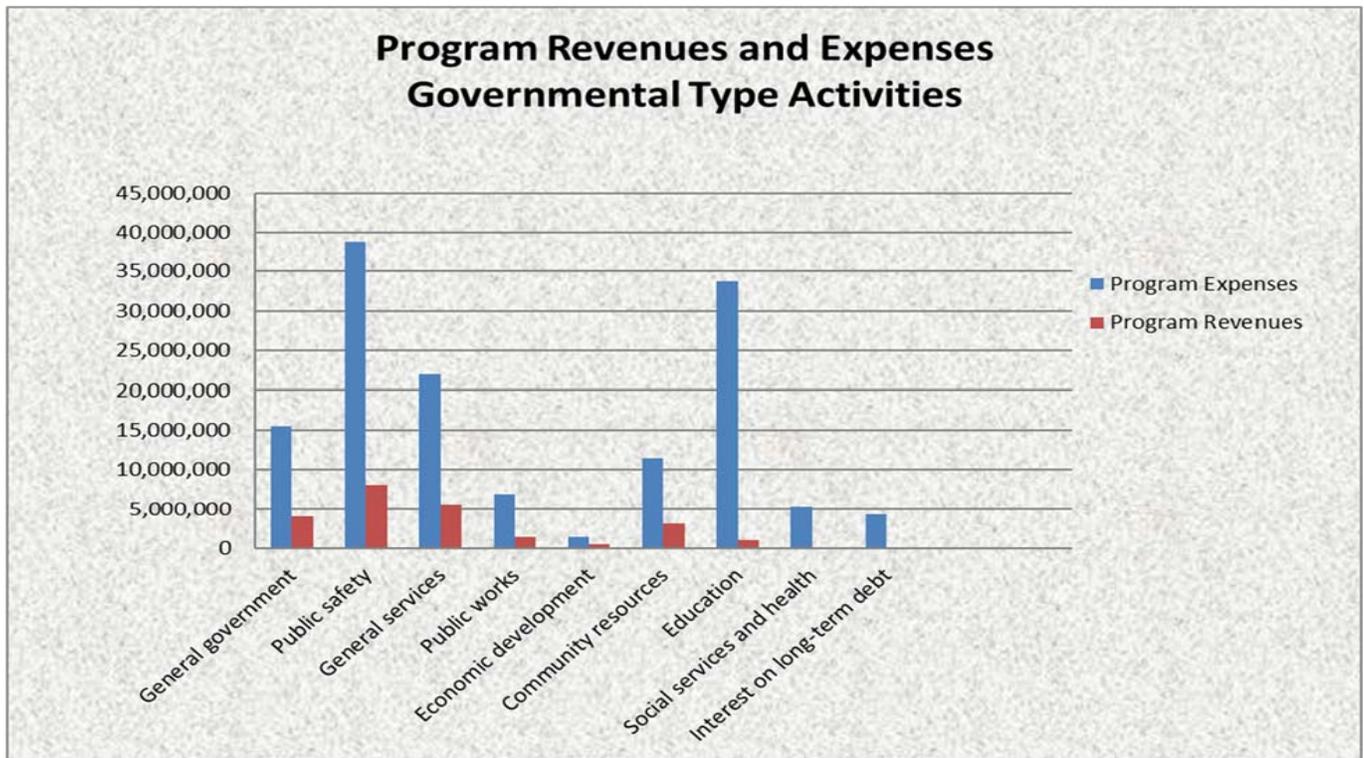
Calvert County Government Schedule of Activities and Changes in Net Position

	Governmental Activities			Business-type Activities			Total		
	2017	2016	Difference	2017	2016	Difference	2017	2016	Difference
Revenues									
Program Revenues									
Charges for services	\$ 16,497,597	\$ 16,284,561	\$ 213,036	\$ 19,605,315	\$ 18,044,125	\$ 1,561,190	36,102,912	\$ 34,328,686	\$ 1,774,226
Operating grants and contributions	6,318,307	5,784,989	533,318	-	-	-	6,318,307	5,784,989	533,318
Capital grants and contributions	844,958	1,620,645	(775,687)	173,768	1,165,629	(991,861)	1,018,726	2,786,274	(1,767,548)
General Revenues									
Property taxes	151,766,977	141,789,058	9,977,919	-	-	-	151,766,977	141,789,058	9,977,919
Income taxes	68,984,412	77,059,728	(8,075,316)	-	-	-	68,984,412	77,059,728	(8,075,316)
Other taxes	11,712,703	9,889,282	1,823,421	-	-	-	11,712,703	9,889,282	1,823,421
Investment earnings	4,136,322	374,256	3,762,066	110,781	-	110,781	4,247,103	374,256	3,872,847
Total revenues	260,261,276	252,802,519	7,458,757	19,889,864	19,209,754	680,110	280,151,140	272,012,273	8,138,867
Expenses									
Program Expenses									
General government	15,496,721	16,449,176	(952,455)	-	-	-	15,496,721	16,449,176	(952,455)
Public safety	38,808,220	33,179,360	5,628,860	-	-	-	38,808,220	33,179,360	5,628,860
General services	21,950,660	21,973,307	(22,647)	-	-	-	21,950,660	21,973,307	(22,647)
Public works	6,846,474	1,459,120	5,387,354	-	-	-	6,846,474	1,459,120	5,387,354
Economic development	1,415,620	1,358,480	57,140	-	-	-	1,415,620	1,358,480	57,140
Community resources	11,435,787	10,887,011	548,776	-	-	-	11,435,787	10,887,011	548,776
Education	33,704,639	36,990,519	(3,285,880)	-	-	-	33,704,639	36,990,519	(3,285,880)
Board of education	114,717,289	114,876,122	(158,833)	-	-	-	114,717,289	114,876,122	(158,833)
Social services and health	5,278,202	5,287,965	(9,763)	-	-	-	5,278,202	5,287,965	(9,763)
Interest on long-term debt	4,318,688	3,653,348	665,340	-	-	-	4,318,688	3,653,348	665,340
Water and sewer	-	-	-	8,685,726	7,839,247	846,479	8,685,726	7,839,247	846,479
Solid waste	-	-	-	10,867,901	11,034,789	(166,888)	10,867,901	11,034,789	(166,888)
Total expenses	253,972,300	246,114,408	7,857,892	19,553,627	18,874,036	679,591	273,525,927	264,988,444	8,537,483
Excess (Deficiency) of revenues over expenses	6,288,976	6,688,111	(399,135)	336,237	335,718	519	6,625,213	7,023,829	(398,616)
Transfers	(19,630)	(51,960)	32,330	19,630	51,960	(32,330)	-	-	-
Change in net position	6,269,346	6,636,151	(366,805)	355,867	387,678	(31,811)	6,625,213	7,023,829	(398,616)
Net position - beginning	123,883,020	117,246,869	6,636,151	37,018,246	36,630,568	387,678	160,901,266	153,877,437	7,023,829
Net position - ending	\$ 130,152,366	\$ 123,883,020	\$ 6,269,346	\$ 37,374,113	\$ 37,018,246	\$ 355,867	\$ 167,526,479	\$ 160,901,266	\$ 6,625,213

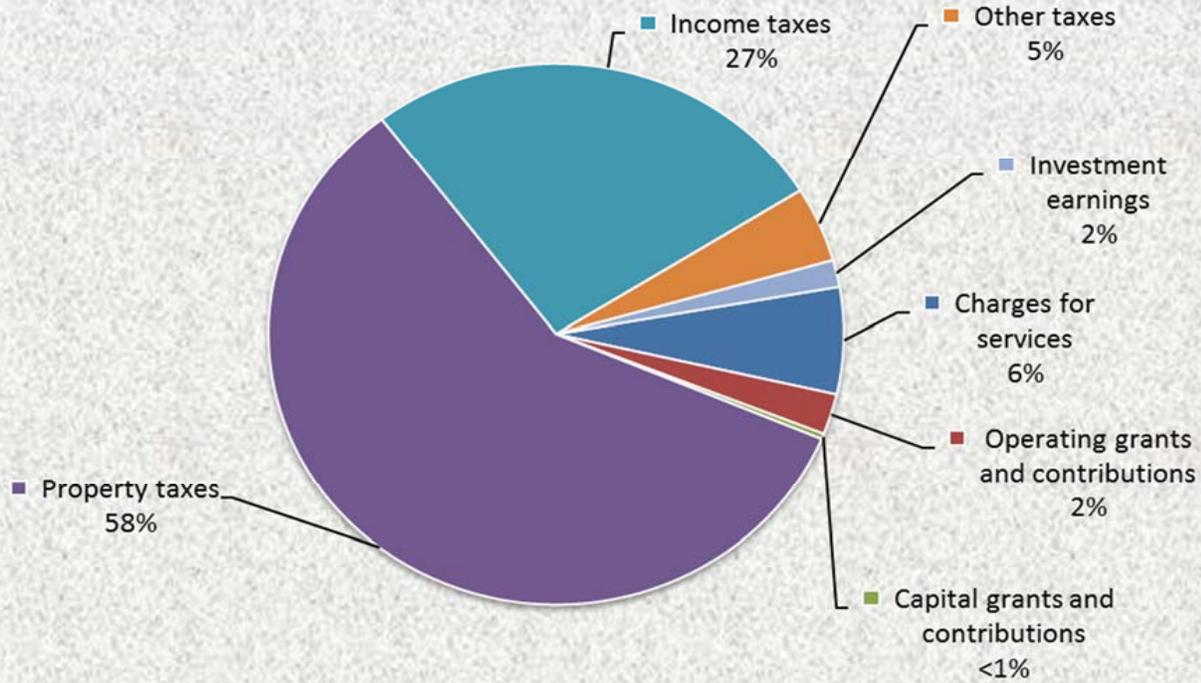
The most significant difference in the revenue section is related to property taxes with a \$10.0 million increase this fiscal year due to the increase in the County's increase in the real property tax rate from .892 to .952.

The significant differences noted in the program expenses section (e.g., General Services and Public Works) are related to capital expenses during the two years being compared. Public Works' in the government wide statement expenses recognized \$1.9 million for Dowell Newton Road. Likewise, Public Safety expenses recognized \$2.9 million for the purchase of the 800 Mhz system.

The next two charts use data from the Statement of Activities that matches governmental program revenues and expenses by function. The operating funding for the Board of Education is not included because at 45 percent of the total program expenses the chart scale no longer functions for comparison purposes:

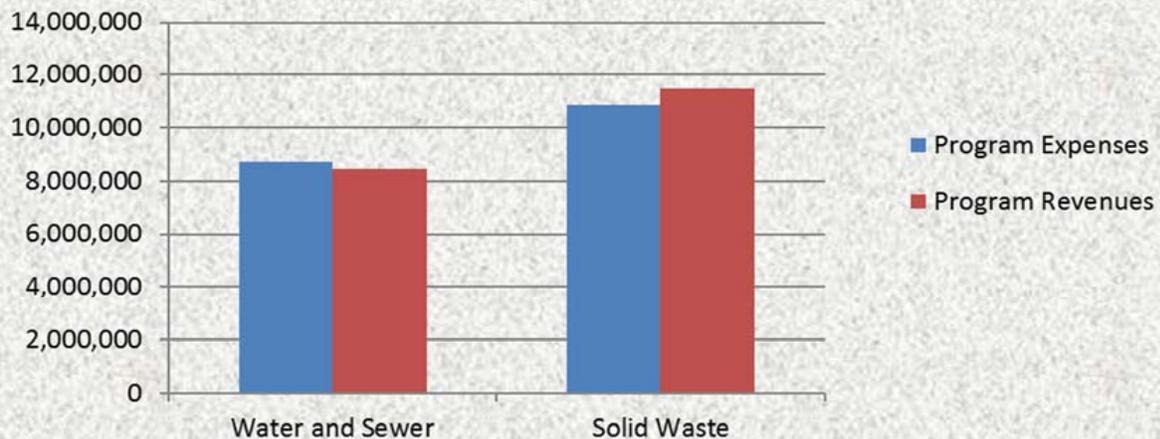


Revenues by Source Governmental Activities

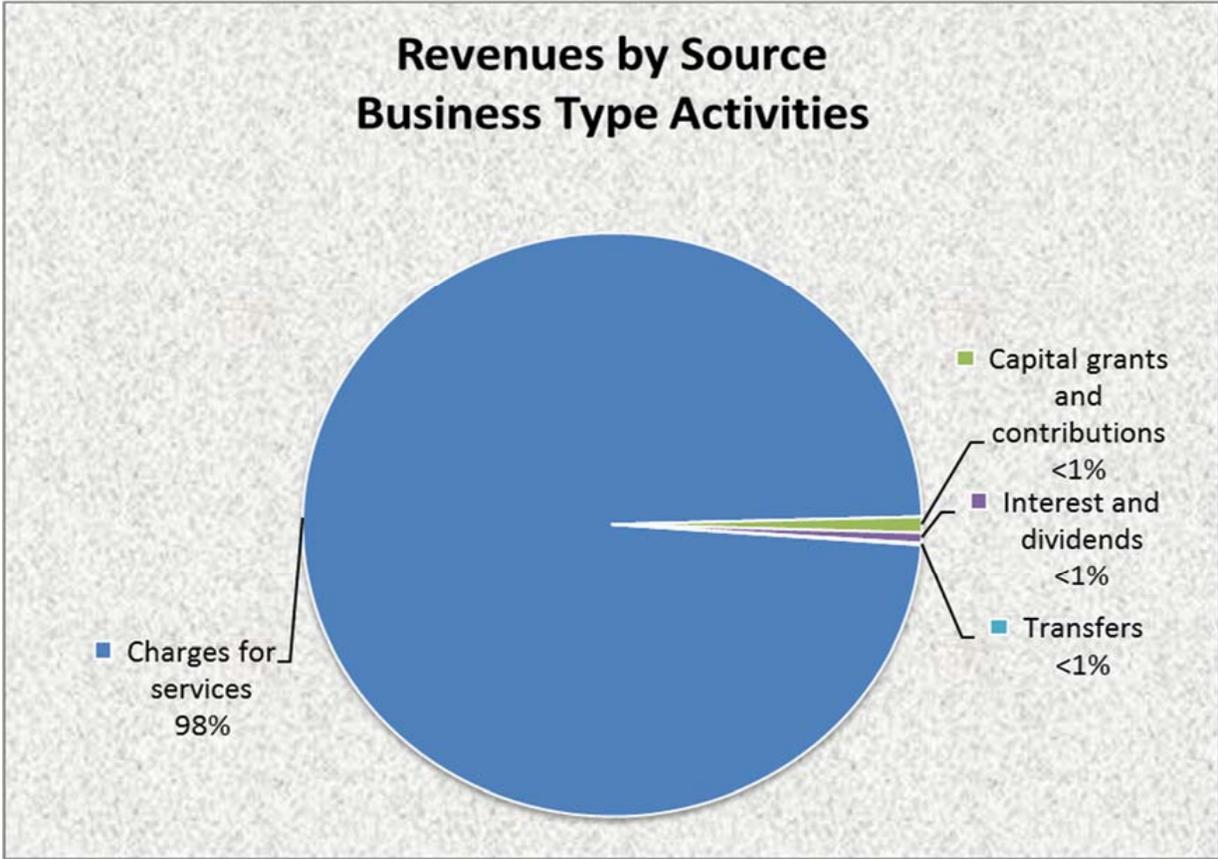


This chart uses the Statement of Activities data to display a comparison of the business-type activities program revenue and expenses:

Program Revenues and Expenses Business Type Activities



This chart uses the revenues from the Statement of Activities to display a comparison of the business-type activities revenues by source:



Financial Analysis of the Government’s Funds

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

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

As reported on the balance sheet of the governmental funds, the total governmental funds combined fund balance is \$99.4 million (prior year, \$73.7 million), an increase of \$25.7 million (prior year, decrease of \$12.4 million).

Approximately 81.4 percent (prior year, 72.6 percent) of this amount, \$90.9 million (prior year, \$53.5 million) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the government’s discretion. It should be noted that \$52.9 million (prior year, \$39.3 million) of this amount has been *committed or assigned* for certain purposes. The remainder of fund balance, \$6.9 million or 6.9 percent, is *nonspendable and restricted* to indicate

that it is not available for new spending because it has already been dedicated: 1) for inventories, or 2) dedicated for a variety of constrained purposes. Additional details of fund balance are presented in Note 8 within the notes section of these financial statements.

The General Fund is the chief operating fund of Calvert County Government. At the end of the current fiscal year, the assigned and unassigned fund balance of the General Fund was \$29.1 million (prior year, \$20.4 million), while total fund balance was \$60.9 million (prior year, \$51.5 million). As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 11.9 percent of the total General Fund budgetary expenditures and other financing uses (prior year, 8.5 percent), while total fund balance represents 25.0 percent (prior year, 21.5 percent) of that same amount.

The fund balance of Calvert County Government's General Fund increased by \$9.5 million (prior year decrease of \$736,648). Staff had estimated fiscal year 2017 would have budgetary surplus. Many revenue and expense line item variances resulted in the County's budgetary surplus of \$6,771,508.

The Capital Projects Fund has a total fund balance of \$21.5 million (prior year, \$6.4 million) of which the balance is committed or assigned for future capital project expenditures. Unspent bond proceeds of \$20.7 million make up 100 percent of the fund balance reduced by outstanding payables (prior year, \$9.4 million).

Proprietary funds: Calvert County Government's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Overall the net position of the proprietary funds increased by \$355,867 (prior year, increase of \$387,678). At the end of the year, unrestricted net position of the Water and Sewer Fund amounted to \$3.6 million (prior year, \$4.7 million). The Solid Waste and Recycling Fund reported \$2.2 million in unrestricted net position (prior year, \$2.7 million).

General Fund Budgetary Highlights

The final budget for the General Fund was increased by \$817,896 over the original budget (prior year, \$1.8 million increase). Overall expenditures were less than the final budget by \$3.9 million. There are many variances within the 1,500 budgeted line items of the general fund. Debt service had a savings of \$530,250, along with Pensions and Insurance savings of \$519,968. Several divisions experienced favorable base salary variances. Revenues were \$2.8 million more than the final budgetary estimates. \$1.9 million of this difference is due to better than expected Real Estate and Personal Property Taxes.

Capital Asset and Debt Administration

Capital assets: Calvert County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$241.2 million (prior year, \$238.4 million). This investment in capital assets includes: land, land development rights, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Calvert County's Government's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		
	2017	2016	Difference	2017	2016	Difference	2017	2016	Difference
Land	\$ 42,224,074	\$ 42,153,149	\$ 70,925	\$ 2,483,591	\$ 2,483,591	\$ -	\$ 44,707,665	\$ 44,636,740	\$ 70,925
Land development rights	11,245,305	11,245,305	-	-	-	-	11,245,305	11,245,305	-
Construction in progress	10,882,733	6,211,814	4,670,919	6,445,908	3,862,644	2,583,264	17,328,641	10,074,458	7,254,183
Buildings	28,471,942	30,503,017	(2,031,075)	21,231,051	21,819,790	(588,739)	49,702,993	52,322,807	(2,619,814)
Improvements	22,146,372	23,049,254	(902,882)	12,785,298	13,417,912	(632,614)	34,931,670	36,467,166	(1,535,496)
Machinery and equipment	13,207,930	12,490,002	717,928	6,852,249	6,874,518	(22,269)	20,060,179	19,364,520	695,659
Infrastructure	63,237,611	64,295,932	(1,058,321)	-	-	-	63,237,611	64,295,932	(1,058,321)
Total Capital Assets	\$ 191,415,967	\$ 189,948,473	\$ 1,467,494	\$ 49,798,097	\$ 48,458,455	\$ 1,339,642	\$ 241,214,064	\$ 238,406,928	\$ 2,807,136

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

- Completed the construction of the sidewalks in Solomons Island with a cost of \$771,954.
- Completed a portion of the countywide paving project with a cost of \$1.8 million.
- Capitalized \$220,012 for the renovation of the bunkers at the Golf Course.

Additional information on Calvert County's capital assets can be found in Note 6 of this report.

Long-term debt: At the end of the current fiscal year, Calvert County Government had total general obligation debt and notes payable outstanding of \$141.2 million (prior year, \$123.0 million). The full faith and credit and unlimited taxing power of the County are irrevocably pledged to levy and collect taxes in order to provide for the payment of principal and interest due on the debt. Of this amount, \$27.9 million (prior year, \$25.8 million) are considered self-supporting bonds, funded through various surcharges and assessments related to the operation of the water and sewerage, and solid waste and recycling systems. Within the governmental activities are the \$5.5 million (prior year, \$5.6 million) in installment purchase agreements for the land preservation program. The principal amount is supported by US Treasury Strip securities that are owned and maintained in the County's account.

Calvert County's Government's Outstanding Debt

	Governmental Activities			Business-type Activities			Total		
	2017	2016	Difference	2017	2016	Difference	2017	2016	Difference
General obligation debt	\$ 113,256,348	\$ 97,093,567	\$ 16,162,781	\$ 14,662,476	\$ 12,379,014	\$ 2,283,462	\$ 127,918,824	\$ 109,472,581	\$ 18,446,243
Notes payable	70,105	87,843	(17,738)	13,256,276	13,451,305	(195,029)	13,326,381	13,539,148	(212,767)
Land preservation program	5,470,940	5,619,440	(148,500)	-	-	-	5,470,940	5,619,440	(148,500)
Total Bonded Debt	\$ 118,797,393	\$ 102,800,850	\$ 15,996,543	\$ 27,918,752	\$ 25,830,319	\$ 2,088,433	\$ 146,716,145	\$ 128,631,169	\$ 18,084,976

Calvert County Government's total general obligation bonded debt increased by \$18.5 million, (prior year, a decrease of \$14.3 million), or 16.9 percent during the current fiscal year (prior year, a decrease of 11.6 percent).

In June 2017, the County's credit ratings were reaffirmed by Standard & Poor's and Fitch and upgraded by Moody's Investors Service, Inc. The current ratings follow:

Standard & Poor's	"AAA"
Fitch Ratings	"AAA"
Moody's Investors Service, Inc.	"Aaa"

In 1990, the County adopted a debt affordability model to ensure that the debt levels are kept at an affordable, manageable, moderate level. A debt policy was adopted in FY 2010 to comply with the State of Maryland's new requirement. The guidelines created in 1990 and ratified in the policy, establish maximum acceptable debt ratios. These ratios and their maximum acceptable levels are: 1) debt to assessed value, 1.8 percent, and 2) debt service as a percent of general fund revenue, 9.5 percent. Using fiscal year 2017 data, the County's current ratios are as follows: debt to assessed value is 1.10 percent and debt service to general fund revenue is 7.3 percent.

Additional information on Calvert County Government's long-term debt can be found in Note 7 of this report.

Economic Factors and Fiscal Year 2017's Budgets and Rates

- The average per-capita personal income of County residents reported by the Maryland Department of Planning for 2015 is \$56,018 (\$53,566 in 2014), an increase of 4.6 percent.
- The average unemployment rate for Calvert County was reported as 3.8% for 2016 by the Maryland Department of Labor Licensing and Regulation. This continues an improving trend.
- Real property tax assessments for the northern third of the County, reassessed for fiscal year 2017, were increased an average of 3.8 percent.

All of these factors were considered in preparing the Calvert County Government's budget for the 2018 fiscal year. Calvert County Government's adopted budget for fiscal year 2018 was a balanced budget as a result of the increase in property and income tax rates. The County projects a surplus budget in fiscal year 2019. These projections include the County's Payment in Lieu of Tax agreement with the Dominion Liquid Natural Gas Exporting facility which is projected to be in service by the end of calendar year 2017.

Requests for Information

This financial report is designed to provide a general overview of Calvert County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance and Budget, Calvert County Government, 175 Main Street, Prince Frederick, MD 20678.

*COUNTY COMMISSIONERS OF CALVERT COUNTY
CALVERT COUNTY, MARYLAND*

BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Board of Education	Economic Development Authority
ASSETS					
Cash, cash equivalents and investments	\$ 100,635,352	\$ 363,987	\$ 100,999,339	\$ 25,764,507	\$ 1,785,423
Receivables					
Taxes	7,765,438	-	7,765,438	-	-
Special assessments	1,080,884	-	1,080,884	-	-
Accounts	18,980,941	2,737,995	21,718,936	-	-
Notes	6,635,885	-	6,635,885	-	-
Accrued interest	22,901	20,900	43,801	-	926
Other	-	-	-	625,018	-
Due from primary government	-	-	-	13,415,259	448,506
Internal balances	(5,174,482)	5,174,482	-	-	-
Due from other governments	-	-	-	2,307,259	-
Prepaid costs	-	-	-	67,137	-
Inventory	333,386	137,027	470,413	60,853	-
Restricted assets					
Cash	20,707,747	12,411,916	33,119,663	-	-
Capital assets not being depreciated	64,352,112	8,929,499	73,281,611	25,329,716	22,191
Depreciable capital assets - net	127,063,855	40,868,598	167,932,453	205,775,671	-
Total assets	342,404,019	70,644,404	413,048,423	273,345,420	2,257,046
Deferred Outflows of Resources					
Pension	2,557,381	-	2,557,381	4,611,667	-
Deferred loss on refunding	-	12,556	12,556	-	-
Total outflows of resources	2,557,381	12,556	2,569,937		
LIABILITIES					
Current liabilities:					
Accounts payable	3,983,652	1,179,477	5,163,129	4,226,276	366
Notes payable	18,573	-	18,573	-	-
Accrued liabilities	15,821,712	479,503	16,301,215	13,622,487	-
Due to other governments	4,946,538	-	4,946,538	-	-
Due to component units	11,248,506	-	11,248,506	-	-
Compensated absences, current portion	1,435,270	100,000	1,535,270	125,811	-
Long-term debt, current portion	14,262,362	1,572,300	15,834,662	-	-
Estimated postclosure costs, current portion	30,000	65,000	95,000	-	-
Unearned revenue	2,617,098	-	2,617,098	5,738,670	-
Noncurrent liabilities:					
Net pension liability	14,489,701	-	14,489,701	15,788,250	-
Net OPEB liability	23,768,259	-	23,768,259	92,213,239	-
Compensated absences, net of current portion	10,757,808	436,482	11,194,290	3,486,522	-
Long-term debt, net of current portion	104,535,031	26,346,452	130,881,483	-	-
Estimated postclosure costs, net of current portion	270,000	3,102,831	3,372,831	-	-
Total liabilities	208,184,510	33,282,045	241,466,555	135,201,255	366
Deferred Inflows of Resources					
Pension	5,038,449	-	5,038,449	744,761	-
Deferred gain on refunding	1,586,075	802	1,586,877	-	-
Total inflows of resources	6,624,524	802	6,625,326		
NET POSITION					
Net investment in capital assets	136,372,796	28,076,563	164,449,359	231,105,387	22,191
<u>Restricted for</u>					
Parks and recreation	2,689,948	-	2,689,948	-	-
Planning and zoning	25,000	-	25,000	-	-
Revolving loan	312,100	-	312,100	-	-
Economic Development Authority revolving loan	284,854	-	284,854	-	-
Grants	158,067	-	158,067	41,068	-
Economic Development incentive	313,543	-	313,543	-	-
Excise tax	5,546,155	-	5,546,155	-	-
Land preservation	7,261,183	-	7,261,183	-	-
Board of Library trustees	9,765	-	9,765	-	-
Restricted for capital connections	-	3,502,391	3,502,391	-	-
Unrestricted	(22,821,045)	5,795,159	(17,025,886)	(89,135,384)	2,234,489
Total net position	\$ 130,152,366	\$ 37,374,113	\$ 167,526,479	\$ 142,011,071	\$ 2,256,680

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<u>Governmental activities:</u>				
General government	\$ 15,496,721	\$ 2,798,447	\$ 1,226,361	\$ -
Public safety	38,808,220	5,594,998	1,967,270	530,901
General services	21,950,660	4,832,068	441,203	314,057
Public works	6,846,474	1,304,948	58,529	-
Economic development	1,415,620	503,014	-	-
Community resources	11,435,787	1,457,823	1,657,220	-
Education	148,421,928	-	967,724	-
Social services and health	5,278,202	-	-	-
Interest on long-term debt	4,318,688	6,299	-	-
Total governmental activities	253,972,300	16,497,597	6,318,307	844,958
<u>Business-Type activities:</u>				
Water and sewer	8,685,726	8,132,907	-	173,768
Solid waste	10,867,901	11,472,408	-	-
Total business-type activities	19,553,627	19,605,315	-	173,768
Total primary government	\$ 273,525,927	\$ 36,102,912	\$ 6,318,307	\$ 1,018,726
Component Units:				
Board of Education	\$ 251,071,482	\$ 3,347,575	\$ 51,704,527	\$ 17,181,264
Economic Development Authority	2,488	260,000	-	-
Total component units	\$ 251,073,970	\$ 3,607,575	\$ 51,704,527	\$ 17,181,264

General Revenues:

Property taxes
Income taxes
Recordation taxes
Admission and amusement taxes
Franchise taxes
Other miscellaneous taxes
Interest and dividends
Unrestricted local appropriations, state and federal aid
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

COUNTY COMMISSIONERS OF CALVERT 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	Economic Development Authority
\$ (11,471,913)	\$ -	\$ (11,471,913)	\$ -	\$ -
(30,715,051)	-	(30,715,051)	-	-
(16,363,332)	-	(16,363,332)	-	-
(5,482,997)	-	(5,482,997)	-	-
(912,606)	-	(912,606)	-	-
(8,320,744)	-	(8,320,744)	-	-
(147,454,204)	-	(147,454,204)	-	-
(5,278,202)	-	(5,278,202)	-	-
(4,312,389)	-	(4,312,389)	-	-
<u>(230,311,438)</u>	<u>-</u>	<u>(230,311,438)</u>	<u>-</u>	<u>-</u>
-	(379,051)	(379,051)	-	-
-	604,507	604,507	-	-
<u>-</u>	<u>225,456</u>	<u>225,456</u>	<u>-</u>	<u>-</u>
<u>\$ (230,311,438)</u>	<u>\$ 225,456</u>	<u>\$ (230,085,982)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (178,838,116)	\$ -
-	-	-	-	257,512
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (178,838,116)</u>	<u>\$ 257,512</u>
\$ 151,766,977	\$ -	\$ 151,766,977	\$ -	\$ -
68,984,412	-	68,984,412	-	-
9,112,106	-	9,112,106	-	-
26,181	-	26,181	-	-
1,654,348	-	1,654,348	-	-
920,068	-	920,068	-	-
4,136,322	110,781	4,247,103	58,417	6,642
-	-	-	175,685,563	-
(19,630)	19,630	-	-	-
<u>236,580,784</u>	<u>130,411</u>	<u>236,711,195</u>	<u>175,743,980</u>	<u>6,642</u>
6,269,346	355,867	6,625,213	(3,094,136)	264,154
<u>123,883,020</u>	<u>37,018,246</u>	<u>160,901,266</u>	<u>145,105,207</u>	<u>1,992,526</u>
<u>\$ 130,152,366</u>	<u>\$ 37,374,113</u>	<u>\$ 167,526,479</u>	<u>\$ 142,011,071</u>	<u>\$ 2,256,680</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, cash equivalents and investments	\$ 94,263,342	\$ -	\$ 6,372,010	\$ 100,635,352
Receivables:				
Taxes	6,365,713	-	1,399,725	7,765,438
Special assessments	1,080,884	-	-	1,080,884
Accounts	18,025,257	-	955,684	18,980,941
Notes	6,512,016	-	123,869	6,635,885
Accrued interest	11,794	11,107	-	22,901
Due from other funds	764,551	7,945,166	12,241,455	20,951,172
Inventory/Prepays	266,077	-	67,309	333,386
Restricted assets				
Cash and investments	-	20,707,747	-	20,707,747
Total assets	<u>\$ 127,289,634</u>	<u>\$ 28,664,020</u>	<u>\$ 21,160,052</u>	<u>\$ 177,113,706</u>
LIABILITIES				
Accounts payable	829,804	1,236,404	1,917,444	3,983,652
Notes payable	-	-	18,573	18,573
Accrued liabilities	8,556,908	5,578,921	-	14,135,829
Due to other funds	26,119,332	-	6,322	26,125,654
Due to component units	11,248,506	-	-	11,248,506
Due to other governments	4,946,538	-	-	4,946,538
Unearned revenue	-	-	2,617,098	2,617,098
Total liabilities	<u>51,701,088</u>	<u>6,815,325</u>	<u>4,559,437</u>	<u>63,075,850</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	<u>14,649,049</u>	<u>-</u>	<u>-</u>	<u>14,649,049</u>
FUND BALANCE (DEFICITS)				
Nonspendable	6,778,094	-	67,309	6,845,403
Restricted	54,030	-	11,557,121	11,611,151
Committed	25,047,021	-	2,988,781	28,035,802
Assigned	5,000,000	21,848,695	2,037,793	28,886,488
Unassigned	24,060,353	-	(50,389)	24,009,964
Total fund balances	<u>60,939,498</u>	<u>21,848,695</u>	<u>16,600,615</u>	<u>99,388,808</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 127,289,635</u>	<u>\$ 28,664,020</u>	<u>\$ 21,160,052</u>	<u>\$ 177,113,707</u>
Fund balance (as reported above)				99,388,808
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.				191,415,967
Some of the County's revenues are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the fund.				14,649,049
Long term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.				(132,876,547)
Net OPEB obligations are not due and payable in the current period, and, therefore, are not reported in the funds.				(23,768,259)
Net pension liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.				(14,489,701)
Deferred outflows of resources related to pensions				2,557,381
Deferred inflows of resources related to pensions				(5,038,449)
Accrued interest on long-term liabilities, including bonds payable are not reported in the funds.				<u>(1,685,883)</u>
Net position of governmental activities				<u>\$ 130,152,366</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 238,187,515	\$ -	\$ 3,127,142	\$ 241,314,657
Licenses and permits	340,437	-	-	340,437
Intergovernmental	4,013,389	952,021	5,850,227	10,815,637
Charges for services	4,122,211	-	1,731,304	5,853,515
Fines and forfeitures	659,664	-	166,663	826,327
Other revenue	2,544,977	343,036	2,894,499	5,782,512
Total revenues	<u>249,868,193</u>	<u>1,295,057</u>	<u>13,769,835</u>	<u>264,933,085</u>
EXPENDITURES				
General government	15,894,794	-	1,690,541	17,585,335
Public safety	31,568,314	-	-	31,568,314
General services	9,556,882	-	6,998,807	16,555,689
Public works	6,510,467	-	-	6,510,467
Economic development	1,113,222	-	-	1,113,222
Community resources	1,925,611	-	7,086,956	9,012,567
Education	119,259,481	-	4,626,934	123,886,415
Social services and health	4,121,080	-	-	4,121,080
Pensions and insurance	21,981,083	-	-	21,981,083
Capital projects	-	21,812,065	-	21,812,065
Debt service				
Principal payments	13,561,110	-	-	13,561,110
Interest payments	3,548,591	-	-	3,548,591
Total expenditures	<u>229,040,635</u>	<u>21,812,065</u>	<u>20,403,238</u>	<u>271,255,938</u>
Excess (deficiency) of revenues over expenditures	<u>20,827,558</u>	<u>(20,517,008)</u>	<u>(6,633,403)</u>	<u>(6,322,853)</u>
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	28,030,000	-	28,030,000
Premium on bonds issued	-	3,980,709	-	3,980,709
Transfers in - other	-	3,946,276	8,749,512	12,695,788
Transfers out - other	(11,381,342)	-	(1,334,076)	(12,715,418)
Total other financing sources (uses)	<u>(11,381,342)</u>	<u>35,956,985</u>	<u>7,415,436</u>	<u>31,991,079</u>
Net change in fund balance	9,446,216	15,439,977	782,033	25,668,226
Fund balance at beginning of year	<u>51,493,282</u>	<u>6,408,718</u>	<u>15,818,582</u>	<u>73,720,582</u>
Fund balance at end of year	<u>\$ 60,939,498</u>	<u>\$ 21,848,695</u>	<u>\$ 16,600,615</u>	<u>\$ 99,388,808</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

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

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

Net change in fund balances - total governmental funds		\$ 25,668,226
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
	Capital outlays	15,000,473
	Depreciation	<u>(13,532,979)</u>
		1,467,494
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,524,041)
The issuance of long-term debt (i.e. bonds, leases, installment purchase agreements) proceeds provide current financial resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds.		
	Compensated absences	(2,473,114)
	Change in landfill postclosure liabilities	30,000
	Net OBEP obligation	(3,879,846)
	Bond Proceeds	(28,030,000)
	Premium on Bond Proceeds	(3,826,998)
	Principal payments	<u>14,930,229</u>
	Changes in long-term debt	(23,249,729)
Governmental funds report County pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.		7,677,493
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.		
	Change in accrued interest	<u>(770,097)</u>
Change in net position of governmental activities		<u>\$ 6,269,346</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance (Over) Under</u>
REVENUES				
Taxes	\$ 235,848,685	\$ 235,861,118	\$ 238,187,515	\$ 2,326,397
Licenses and permits	299,400	299,400	340,437	41,037
Intergovernmental	4,267,497	4,192,464	4,438,425	245,961
Charges for services	4,162,434	4,230,337	4,207,622	(22,715)
Fines and forfeitures	397,250	714,115	702,429	(11,686)
Miscellaneous	527,849	1,023,577	2,272,539	1,248,962
Total revenues	245,503,115	246,321,011	250,148,967	3,827,956
EXPENDITURES				
General government	16,804,514	16,579,299	15,824,544	754,755
Public safety	30,872,320	31,407,983	31,250,676	157,307
General services	13,231,005	13,306,504	12,449,508	856,996
Public works	9,556,745	9,511,687	8,855,673	656,014
Economic development	1,252,951	1,272,322	1,127,281	145,041
Community resources	2,033,936	2,071,965	1,932,129	139,836
Education	123,364,902	123,404,709	123,385,413	19,296
Social services and health	4,521,940	4,521,940	4,451,930	70,010
Pensions and insurance	22,154,155	22,501,051	21,981,083	519,968
<u>Debt service</u>				
Principal retirement	13,561,101	13,561,101	13,561,110	(9)
Interest	4,078,841	4,078,841	3,548,591	530,250
Total expenditures	241,432,410	242,217,402	238,367,938	3,849,464
Excess (deficiency) of revenues over expenditures	4,070,705	4,103,609	11,781,029	7,677,420
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,271,858	1,271,858	272,438	(999,420)
Operating transfers out	(5,342,563)	(5,375,467)	(5,281,959)	93,508
Total other financing sources (uses)	(4,070,705)	(4,103,609)	(5,009,521)	(905,912)
Net change in fund balance	-	-	6,771,508	6,771,508
Fund balance - beginning	50,525,026	50,525,026	50,525,026	-
Fund balance - ending	<u>\$ 50,525,026</u>	<u>\$ 50,525,026</u>	<u>\$ 57,296,534</u>	<u>\$ 6,771,508</u>

A reconciliation of the revenue and expenditures of the general fund to present the combined statement of revenue and expenditures on a GAAP basis follows:

Revenue and transfers in (budgetary basis)	\$ 250,421,405
Transfer adjustment (Library)	(553,212)
Revenue and transfers in (GAAP basis)	<u>\$ 249,868,193</u>
Expenditures and operating transfers out (budgetary basis)	\$ 243,649,897
Encumbrance/accrual adjustment	(2,674,708)
Transfer adjustment (Library)	(553,212)
Expenditures and operating transfers out (GAAP basis)	<u>\$ 240,421,977</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	<u>Water and Sewer Fund</u>	<u>Solid Waste and Recycling Fund</u>	<u>Total</u>
ASSETS			
<u>Current assets:</u>			
Cash and cash equivalents	362,966	\$ 1,021	\$ 363,987
Total cash, cash equivalents and investments	362,966	1,021	363,987
Accounts receivable	2,000,108	737,887	2,737,995
Accrued interest receivable	10,156	10,744	20,900
Due from other funds	-	5,932,711	5,932,711
Inventory	137,027	-	137,027
Total current assets	<u>2,510,257</u>	<u>6,682,363</u>	<u>9,192,620</u>
<u>Non-current assets:</u>			
Restricted assets			
Cash and investments	11,625,969	785,947	12,411,916
Capital assets not being depreciated	4,622,084	4,307,415	8,929,499
Depreciable capital assets - net	38,945,243	1,923,355	40,868,598
Total non-current assets	<u>55,193,296</u>	<u>7,016,717</u>	<u>62,210,013</u>
Total assets	<u>57,703,553</u>	<u>13,699,080</u>	<u>71,402,633</u>
Deferred Outflows of Resources			
Deferred loss on refunding	12,556	-	12,556
Total assets and deferred outflows	57,716,109	13,699,080	71,415,189
LIABILITIES			
<u>Current liabilities:</u>			
Vouchers and accounts payable	437,929	741,548	1,179,477
Accrued liabilities	347,239	132,264	479,503
Due to other funds	758,229	-	758,229
Compensated absences, current portion	50,000	50,000	100,000
Estimated post closure costs, current portion	-	65,000	65,000
Long-term debt, current portion	1,438,118	134,182	1,572,300
Total current liabilities	<u>3,031,515</u>	<u>1,122,994</u>	<u>4,154,509</u>
<u>Noncurrent liabilities:</u>			
Compensated absences, net of current portion	120,684	315,798	436,482
Estimated post closure costs	-	3,102,831	3,102,831
Long-term debt, net of current portion	24,567,627	1,778,825	26,346,452
Total liabilities	<u>27,719,826</u>	<u>6,320,448</u>	<u>34,040,274</u>
Deferred Inflows of Resources			
Deferred gain on refunding	-	802	802
Total liabilities and deferred inflows	<u>27,719,826</u>	<u>6,321,250</u>	<u>34,041,076</u>
NET POSITION			
Net investment in capital assets	22,920,154	5,156,409	28,076,563
Restricted capital connection	3,502,391	-	3,502,391
Unrestricted	3,573,738	2,221,421	5,795,159
Total net position	<u>29,996,283</u>	<u>\$ 7,377,830</u>	<u>\$ 37,374,113</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2017**

	<u>Water and Sewer Fund</u>	<u>Solid Waste and Recycling Fund</u>	<u>Total</u>
<u>Operating revenues:</u>			
Charges for services	\$ 7,355,926	\$ 11,432,124	\$ 18,788,050
<u>Operating expenses:</u>			
Salaries & benefits	2,877,203	2,774,132	5,651,335
Contracted services	790,104	7,060,678	7,850,782
Supplies	269,921	411,248	681,169
Heat, light and power	638,440	38,998	677,438
Depreciation	2,609,218	335,116	2,944,334
Miscellaneous	39,155	45,532	84,687
Telephone	20,996	8,164	29,160
Compensated absences	(54,305)	24,367	(29,938)
Maintenance and repairs	426,196	69,889	496,085
Capital outlay	536,505	38,960	575,465
Total operating expenses	<u>8,153,433</u>	<u>10,807,084</u>	<u>18,960,517</u>
Operating income (loss)	<u>(797,507)</u>	<u>625,040</u>	<u>(172,467)</u>
<u>Non-operating revenues (expenses):</u>			
Grants	(317,500)	11,534	(305,966)
Deferred amount on refunding	-	802	802
Miscellaneous income	41,047	-	41,047
Tower revenue	128,324	28,750	157,074
Investment income	89,993	20,788	110,781
Interest expense	<u>(532,293)</u>	<u>(61,619)</u>	<u>(593,912)</u>
Total non-operating revenues (expenses)	<u>(590,429)</u>	<u>255</u>	<u>(590,174)</u>
Income (loss) before contributions and transfers	(1,387,936)	625,295	(762,641)
Transfers in (out)	39,665	(20,035)	19,630
Capital connection charges	607,610	-	607,610
Developer contribution	<u>491,268</u>	<u>-</u>	<u>491,268</u>
Change in net position	(249,393)	605,260	355,867
Total net position - beginning	<u>30,245,676</u>	<u>6,772,570</u>	<u>37,018,246</u>
Total net position - ending	<u>\$ 29,996,283</u>	<u>\$ 7,377,830</u>	<u>\$ 37,374,113</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Water and Sewer Fund	Solid Waste and Recycling Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 7,160,070	\$ 11,288,170	\$ 18,448,240
Tower revenue	128,324	28,750	157,074
Other Receipts	41,047	10,308	51,355
Payments to suppliers	(5,952,782)	(10,401,504)	(16,354,286)
Payments to employees	(42,679)	35,171	(7,508)
Receipts from other funds	453,376	517,256	970,632
Net cash provided by (used in) operating activities	<u>1,787,356</u>	<u>1,478,151</u>	<u>3,265,507</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers (to)/ from other funds	(317,500)	19,630	(297,870)
Net cash provided by (used in) non-capital financing activities	<u>(317,500)</u>	<u>19,630</u>	<u>(297,870)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets and construction-in-progress	(2,598,435)	(1,694,998)	(4,293,433)
Proceeds from issuance of long term debt	1,730,419	149,141	1,879,560
Capital connection fees received	607,610	-	607,610
Developer contribution	491,268	-	491,268
Grants from State Government	39,665	-	39,665
Principal paid on long-term obligations	(677,722)	776,504	98,782
Interest paid on long-term obligations	(333,206)	(72,735)	(405,941)
Net cash provided by (used in) capital and related financing activities	<u>(740,401)</u>	<u>(842,088)</u>	<u>(1,582,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on deposits	43,305	20,849	64,154
Purchase of investments	(777,705)	(671,445)	(1,449,150)
Net cash provided by (used in) investing activities	<u>(734,400)</u>	<u>(650,596)</u>	<u>(1,384,996)</u>
Increase (decrease) in cash and cash equivalents	(4,945)	21	(4,924)
Cash and cash equivalents, beginning of year	367,911	1,000	368,911
Cash and cash equivalents, end of year	<u>\$ 362,966</u>	<u>\$ 1,021</u>	<u>\$ 363,987</u>
PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Adjustments to reconcile operating income (loss) to <u>Net cash provided by (used in) operating activities</u>	\$ (797,507)	\$ 625,040	\$ (172,467)
Depreciation	2,609,218	335,116	2,944,334
Landfill closure costs and other	-	7,813	7,813
Tower revenue	128,324	28,750	157,074
Other Receipts	41,047	11,534	52,581
<u>Changes in assets and liabilities</u>			
Inventory	(48,157)	-	(48,157)
Accounts receivable	(195,855)	(145,982)	(341,837)
Due from other funds	-	517,256	517,256
Accounts payable	(386,040)	634,224	248,184
Accrued expenses	(17,050)	(535,600)	(552,650)
Due to other funds	453,376	-	453,376
Net cash provided by (used in) operating activities	<u>\$ 1,787,356</u>	<u>\$ 1,478,151</u>	<u>\$ 3,265,507</u>
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and investments, unrestricted	\$ 362,966	\$ 1,021	\$ 363,987
Cash and investments, restricted	11,625,969	785,947	12,411,916
	<u>11,988,935</u>	<u>786,968</u>	<u>12,775,903</u>
Less - noncash equivalent investments	11,625,969	785,947	12,411,916
Cash and cash equivalents	<u>\$ 362,966</u>	<u>\$ 1,021</u>	<u>\$ 363,987</u>

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Volunteer Fire and Rescue Pension Fund	Sheriff Pension Fund	Employee Retirement Fund	OPEB	Agency Fund
ASSETS					
Cash and cash equivalents	\$ 13,061	\$ 1,499,330	\$ 1,320,614	\$ 301,306	\$ 90,408
Receivables and prepaid expenses:					
Accounts receivables	-	-	-	-	7,308
Investment income receivables	1,190	18,426	16,651	11,158	-
Total receivables	1,190	18,426	16,651	11,158	7,308
Investments:					
Fixed income	695,595	18,787,161	16,070,639	11,207,626	-
Common stocks	-	19,074,799	18,162,727	5,824,940	-
Equity funds	2,565,956	28,709,091	25,478,489	35,315,892	-
Foreign assets	544,305	9,423,917	8,918,361	8,986,538	-
Other assets	-	2,293,738	2,391,613	1,605,443	-
Total investments	3,805,856	78,288,706	71,021,829	62,940,439	-
Total assets	3,820,107	79,806,462	72,359,094	63,252,903	97,716
LIABILITIES AND FUND BALANCE					
Payables:					
Accounts payable	-	-	-	-	97,716
Total liabilities	-	-	-	-	\$ 97,716
Net position restricted for pensions	<u>\$ 3,820,107</u>	<u>\$ 79,806,462</u>	<u>\$ 72,359,094</u>	<u>\$ 63,252,903</u>	

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

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Volunteer Fire and Rescue Pension Fund	Sheriff Pension Fund	Employees Retirement Fund	OPEB
ADDITIONS				
Contributions:				
Employer contributions	\$ 550,000	\$ 3,200,000	\$ 2,900,000	\$ -
Member contributions	-	942,266	116,704	-
Prior service contributions	-	88,345	-	-
Total contributions	550,000	4,230,611	3,016,704	-
Investment income (loss):				
Interest and dividends	153,055	2,087,886	2,031,302	1,680,117
Appreciation/(depreciation) of investments	350,656	7,737,368	6,637,327	7,246,267
Capital gains/(loss)	69,866	1,106,943	1,531,624	(517,296)
Less investment expenses:				
Direct investment expense	(34,397)	(486,533)	(415,429)	(161,873)
Net investment income (loss)	539,180	10,445,664	9,784,824	8,247,215
Total additions	1,089,180	14,676,275	12,801,528	8,247,215
DEDUCTIONS				
Distributions to participants	713,176	2,691,019	3,737,373	-
Total deductions	713,176	2,691,019	3,737,373	-
Net increase (decrease) in net position	376,004	11,985,256	9,064,155	8,247,215
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	3,444,103	67,821,206	63,294,939	55,005,688
End of year	\$ 3,820,107	\$ 79,806,462	\$ 72,359,094	\$ 63,252,903

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

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of Significant Accounting Policies

Calvert County (the County), was established as one of the original counties of the Maryland colony in 1654. The County is governed by a board of five Commissioners. One Commissioner is elected from each of the three districts and two are elected at large. All serve four-year terms. This board assumes responsibilities conferred upon them by the Maryland General Assembly and provides the following services: public safety, public improvements, health and social services, sanitation, recreation and culture, education, economic development and general administrative services. The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The accompanying financial statements include various agencies, department organizations and offices which are legally part of Calvert County (the Primary Government) and the County's component units. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. It is financially accountable to the Primary Government or has relationship with the County such that exclusion would cause the County's financial statements to be misleading or incomplete. For the discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the County as a result of the existence of the component unit.

Discretely Presented Component Units

Board of Education of Calvert County Public Schools - The Board of Education of Calvert County Public Schools (the Board) is responsible for elementary and secondary education within the County. The Board is fiscally dependent upon the County because the Commissioners are responsible for approving the Board's annual appropriations in the budget. In addition, the Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board and the County issues bonds to finance school system construction projects. Complete financial statements of the Board may be obtained at the entity's administrative offices located at 1305 Dares Beach Road, Prince Frederick, Maryland, 20678.

Economic Development Authority of Calvert County - The Economic Development Authority of Calvert County (the Authority) was established in 1969, for the purpose of acquiring, constructing, developing, improving, operating, and managing an industrial park within the County and to enlarge economic development opportunities for the preservation and betterment of the economy of Calvert County. The members of the Board of the Authority are appointed by the Commissioners and financially dependent upon the County. The Authority provides services which exclusively benefit the County and County employees perform all of the Authority's services. The Economic Development Authority of Calvert County does not issue separate financial statements, so their statements are included in this document on pages 99 and 100.

The Calvert County Housing Authority, the Volunteer Fire and Rescue Squads, the Calvert County Fair, Inc., and the Calvert County Soil Conservation District have been excluded from the basic financial statements on the basis that these entities are not controlled by or financially dependent upon the County.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the County as a whole. These statements include the financial activities of the Primary Government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental, normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and 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 proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are divided into three categories: government-wide financial statements, fund financial statements, and budgetary statements. The measurement focus, bases of accounting and presentation of these categories is discussed below.

Measurement Focus and Basis of Accounting

The Government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the *economic resources* measurement focus and the *accrual basis* of accounting, as do the Proprietary funds and Pension and Other Post Employment Benefit Trust funds 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a *current financial resources* measurement focus and are reported using the *modified accrual* basis of accounting. Revenues are recognized in the accounting period in which the revenues are measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. For the County's purposes, the period of availability is considered to be 60 days after year end. Revenues considered susceptible to accrual are grants, delinquent property taxes, income taxes and interest on investments.

In governmental funds expenditures are generally recorded when incurred; however, expenditures for debt service, compensated absences, and claims and judgments are recorded when payments are due. General County capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of the County's general long-term debt are reported as other financing sources.

The Agency Funds have no measurement focus since these funds only report assets and liabilities. Agency Funds use the *accrual basis* of accounting.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Financial Statement Presentation

Fund financial statements report detailed information about the County. Governmental and Proprietary fund financial statement presentation focuses on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Primary Government. All financial resources are accounted for in this fund except those required to be accounted for in another fund. The General Fund is a major fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County. The Capital Projects Fund is a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes. The special revenue funds include the Parks and Recreation Fund, Chesapeake Hills Golf Course, Calvert Marine Museum, Planning and Zoning Special Revenue Fund, Bar Library Fund, Revolving Loan Fund, Economic Development Authority Revolving Loan Fund, Calvert County Family Network, Grants Fund, Economic Development Incentive Fund, Excise Tax Fund, the Land Preservation Fund, and the Board of Library Trustees for Calvert County (the Library). None of these special revenue funds are major funds.

Proprietary Fund Type

Enterprise Funds - Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. Enterprise funds herein include the operations of the Water and Sewer Fund and the Solid Waste and Recycling Fund.

Fiduciary Fund Types

Trust Funds - The County maintains pension trust funds to account for the Volunteer Fire Departments and Rescue Squads Pension Plan, the Calvert County Sheriff's Department Pension Plan, the Calvert County Employees Retirement Plan and the Calvert County Maryland Post-Employment Benefits Plan.

Agency Funds - The Tax Redemption Fund is an agency fund used to account for tax payments made by delinquent property owners to redeem tax certificates held by third parties. These funds are held by the County in a trustee capacity.

Net Position

The government-wide and business-type fund financial statements utilize net position presentation. Net position is presented in three components – net investment in capital assets, restricted and unrestricted.

1. Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of these assets.

CALVERT COUNTY, MARYLAND
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2. Restricted – This component consists of assets that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
3. Unrestricted – This component consists of assets that do not meet the definition of “net investment in capital assets” and restricted.

Significant Accounting Policies

The following is a summary of the more significant accounting policies applied to elements in the County’s basic financial statements:

Internal Activity - Calvert County has minimal activity between governmental and business-type activities. However, to avoid double counting of internal activities, the effect of internal transactions and balances has been eliminated from the financial statements.

Program, General and Operating Revenues – Revenue in the government-wide financial statements is classified as program or general revenue. 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. In addition, general revenues include all taxes.

The operating revenues of the enterprise funds are defined as the charges for services received from the customers that are of a recurring nature. That is, those charges do not include one-time fees or grants, such as capital connection charges or capital grants. Revenue sources such as these are included under non-operating revenues.

Fund Balance Assumptions – In order to calculate the amounts reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When components of unrestricted resources are available for use and the purpose is a qualified activity, committed fund balance is depleted first, followed by assigned, and lastly unassigned.

Budgets and Budgetary Accounting - The County follows certain procedures in establishing the budgetary data reflected in the financial statements. Each County department, agency or board receiving County funds submits a budget request to the Commissioners at a public hearing. Additional public hearings are conducted to obtain taxpayer comments. On or before July 1 of each year, the budget is legally enacted through passage of a resolution.

The Director of Finance and Budget is empowered to make administrative transfers of appropriations within the current expense budget, within the same office or department, between departments, agencies, boards or commissions, inter-project transfers of appropriations between capital projects in the capital budget and the addition of new budget items, in the amount of not more than \$10,000. The County Administrator is authorized to transfer appropriations up to \$25,000. Any change involving more than \$25,000 but less than \$100,000 can be approved by the Board of County Commissioners without passage of a resolution. Any change totaling more than \$100,000 may only be made by resolution approved by the Commissioners after compliance with certain public hearing requirements.

The budget for the General Fund and Capital Projects are adopted annually. The basis is consistent with GAAP except that for the General Fund, on a budgetary basis, encumbrances are treated as expenditures rather than as a commitment of fund balance. Budgetary comparisons presented for the

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General Fund in the basic financial statements are prepared on the budgetary basis. Budgetary control is at the object level. The Capital Projects budget is prepared for the duration of the respective project and annual budgetary comparisons are not presented in the basic financial statements and supplemental information.

D. Assets, Liabilities and Net Position

Cash, Cash Equivalents and Investments - For purposes of the statements of cash flows, cash equivalents are considered to be investments that are a) short-term, highly liquid investments which are readily convertible to known amounts of cash; and b) so near maturity that the investment presents insignificant risk of changes in value because of changes in interest rates.

Investments in certificates of deposit, U.S. government obligations, repurchase agreements and other investments are carried at fair value, which is determined on June 30 of each fiscal year.

Investments in the pension trust funds (Volunteer Fire and Rescue Squad Pension Fund and Calvert County Sheriff's Department Pension Plan, the Calvert County Employees Retirement Plan and the Calvert County Maryland Other Post-Employment Benefits Trust) are carried at fair value determined on June 30 of each year, based on appraisals or quotations by an independent investment counselor.

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

Long-Term Receivables - Long-term receivables relating to governmental fund types are reported in the respective balance sheets in spite of the spending measurement focus. These receivables however, are offset by nonspendable fund balance account to indicate they should not be considered available spendable resources since they do not represent net current assets.

Inventory - Inventory is valued at the lower of cost (first-in, first-out method) or market. The inventories are recorded as expenditures when consumed rather than when purchased. Governmental fund type inventories are offset by a nonspendable fund balance account, which indicates that inventory does not constitute "available spendable resources," even though it is a component of net current assets.

Capital Assets - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at estimated fair market value on the date contributed. The County currently defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year. In prior years the capital asset threshold was \$3,000. Those prior year assets are still recorded as capital assets. Assets are depreciated using the straight-line method over the estimated useful life of the asset. The table on the next page is a general guideline for determining the estimated useful life of assets:

Buildings	25-30 years	Machinery and equipment	3-10 years
Improvements	15-20 years	Vehicles	3-7 years
Water and Sewer Systems	20-30 years	Computers	3 years

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

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With the implementation of GASB Statement 34, the County has recorded its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Accumulated Annual, Personal and Sick Leave Benefits - County employees are granted annual leave at varying rates based upon years of service. The carrying amount of accumulated annual leave may not exceed a maximum of 100 days on a calendar year basis. In addition, 15 days of sick leave and 5 days of personal leave are granted annually. Upon termination or retirement, all annual and personal leave accrued to the credit of an employee is paid. The amount of accrued sick leave payable is based upon the employee's full-time status. The sick leave can be paid to the employee or credited to their retirement benefit upon meeting retirement eligibility in the applicable defined benefit pension plan. Upon separation from County service, employees who became eligible for sick leave prior to September 7, 2015, shall be paid for their unused accrued sick leave as follows: $\frac{1}{4}$ of the Employee's current hourly rate multiplied by the number of sick leave days up to and including 100, plus $\frac{1}{2}$ of the Employee's current hourly rate multiplied by the number of sick leave days in excess of 100. Upon separation from County service, employees who became eligible for sick leave on or after September 7, 2015, shall be paid for their unused accrued sick leave as follows: $\frac{1}{4}$ of the Employee's current hourly rate multiplied by the number of sick leave days.

Deferred Compensation Plan - The County has established a deferred compensation plan in accordance with Internal Revenue Code Section 457, and administered by Nationwide Retirement Solutions. All County employees may participate in the plan and defer a portion of their salary, subject to limitations imposed by the Internal Revenue Service. In September 1997, the County amended the plan in accordance with the provisions of IRC Section 457(g). The assets of the plan were placed in an independent trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the County no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, were removed from the County's financial statements. The plan assets will not be subject to the claims of the public entity's creditors.

Other Post Employment Benefit Obligations – OPEB - In fiscal year 2017 the County adopted, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which required that employers account for and report the net OPEB liability.

Pension Accounting - Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income.

Interfund Transfers - The transfers in to the General Fund are for capital projects that have been closed out, the transfer from excise tax fund to cover a portion of debt service, and one-time fund balance transfers from special revenue funds. The transfer out from the General Fund is for operating, disbursement of grant matching funds and pay-go monies.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Fund, and Enterprise Funds. Encumbrances outstanding at year end are reported as committed fund balances and do not constitute expenditures or liabilities because the commitments will be honored during a subsequent year.

Long-Term Obligations - In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other obligations are reported as liabilities. Bond premiums and

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discounts are deferred and amortized over the life of the bonds using the bonds outstanding method which approximates the effective interest method.

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.

Deferred Outflows/Inflows of Resources - represents a consumption/acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources until then. The only item that qualifies for reporting in this category is the deferred loss/gain on refunding reported in the government-wide statement of net position. A deferred loss/gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The government has only one type of item, unavailable revenue, and is reported only in the governmental funds balance sheet for taxes, special assessment, and intergovernmental charges. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity – Detailed information on the presentation of net position for the government-wide and business-type funds is located on page 16. Information regarding the implementation of GASB No. 54 as it relates to the governmental fund balance presentation is located on page 19.

Stabilization Arrangement – During the fiscal year ended June 30, 2011, the County implemented GASB Statement No. 54 – *Fund Balance and Governmental Fund Type Definitions* which required an establishment of policy by formal action by the Board of County Commissioners. This formal action, set by resolution, defines the use of these as for contingency and emergency or catastrophic situations as determined by the County Commissioners.

E. Implementation of New Accounting Principles

The County has implemented the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and GASB Statement No. 77, *Tax Abatement Disclosures*. These statements did not have a material effect on the County's financial statements.

The GASB has also issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 87, *Leases*, which will require adoption in the future, if applicable. These statements are expected to have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

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Note 2 - Property Taxes

Property taxes attach an enforceable lien on property as of July 1. Taxes are levied each July 1 and the taxpayer has the option to pay in full without interest by September 30 or to pay the bill semiannually. In semi-annual bills, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Interest is charged for each month or fraction thereof in which taxes remain unpaid beginning October 1 on accounts under the annual payment option, or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of Calvert County the power to advertise and sell any real property if the taxes remain delinquent for a period of one year.

Property taxes are levied at rates enacted by the Commissioners in the annual budget based on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and then only after public hearings.

The real property tax rate during the year ended June 30, 2017, was \$.952 per \$100 of assessed value based on the full valuation method, except that within the two incorporated towns, North Beach and Chesapeake Beach, the rate was \$.616 per \$100 of assessed value based on the full valuation method. The personal property tax rate during the year ended June 30, 2017 was \$2.23 per \$100 of assessed value except that within the two incorporated towns, North Beach and Chesapeake Beach, the rate was \$1.39. The County bills and collects all property taxes.

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Note 3 - Cash, Cash Equivalents and Investments

A. Primary Government

Cash on Hand

At June 30, 2017, cash on hand for petty cash and change was \$13,194.

Policies and Provisions

General Deposits - The County has agreements with its depository financial institutions, which require all deposits to be either insured by the Federal Deposit Insurance Corporation or collateralized. The County has an agreement with Bank of America to collateralize 110% of deposits. At June 30, 2017, the net carrying amount and the bank balances of the County's deposits with financial institutions were \$45,476,386 and \$45,609,952, respectively, all of which was covered by federal depository insurance or collateral held by a third party custodian in a segregated account for the benefit of Calvert County.

Foreign risk related to deposits is managed by allowing no more than \$1,000,000 or 10% of the total investment portfolio to be invested with financial institutions residing in a single foreign country. At June 30, 2017, no deposits were in foreign currency.

General Investments - The County's policy for investments, as set by public code, is to invest in securities that are issued by the United States Government or any agency thereof, certificates of deposit, bankers' acceptances, any and all investments generally recognized as "money market instruments," securities issued by any state or municipal government, securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), securities issued by the Government National Mortgage Association (GNMA), repurchase agreements, and reverse repurchase agreements. The County's intent is not to redeem any investment until the fair value is at least equal to the carrying value.

The County manages concentration risk by using limits, stated in percentages and/or dollars, for investment classes (noted above) that are not federally insured. The County's policy on credit risk is to only allow for Bankers' Acceptances of domestic and foreign banks that maintain the highest short-term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1). These ratings are also required for Repurchase Agreements. Repurchase Agreements are required to be collateralized at 102%.

In order to limit exposure to interest rate risk, the County's investment policy provides that investment maturities in any permitted investment shall not exceed 24 months in duration unless prior approval is received from the Director of Finance and Budget, or a designee. Investment in securities exceeding 24 months in duration shall not exceed 20% of the total investment portfolio at the time of purchase.

Fiduciary Fund Investments - The Calvert County Post Employment Benefit Plan, the Volunteer Fire and Rescue Squad Pension Plan, the Calvert County Sheriff's Department Pension Plan and the Calvert County Employees Retirement Plan are authorized to invest in common stocks, corporate bonds and any other securities in varying proportions when and for as long as, in the opinion of the respective Plan Trustees, prevailing market and economic considerations indicate that it is in the best interest of the respective Plan to do so. Note 9 presents the details of the pension plans starting on page 26 and 27.

Land Preservation Fund - The Land Preservation Fund is invested in U.S Treasury Strips (U.S. Treasury Bonds with the coupon/interest payment removed). The earliest maturity date of any of the bonds in this fund is May 15, 2018. The latest maturity date is May 15, 2026. This fund has no interest rate risk because

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each of the bonds was purchased to pay a specific obligation. The maturity date and amount of the bond coincides with the due date of the obligation.

Fair Value of Investments – The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Quoted prices for identical investments in active markets;
- Level 2 – Observable inputs other than quoted market prices; and
- Level 3 – Unobservable inputs.

At June 30, 2017, the County had the following recurring fair value measurements.

	6/30/2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt Securities				
U.S. Treasury strips	\$ 5,261,008	\$ 5,261,008	\$ -	\$ -
U.S. Agencies	13,935,748	13,935,748	-	-
Corporate bonds and notes	26,507,843	-	26,507,843	-
Total debt securities	45,704,599	19,196,756	26,507,843	-
Equity Securities				
Commons stock	40,970,378	40,970,378	-	-
Equity mutual funds	119,942,548	119,942,548	-	-
Total equity securities	160,912,926	160,912,926	-	-
Total investments by fair value level	206,617,525	180,109,682	26,507,843	-
Investments measured at net asset value (NAV)				
Money market funds	76,697,795			
Fixed income mutual funds	19,204,874			
Private equity funds	6,290,794			
Total investments measured at the NAV	102,193,463			
Total investments measured at fair value	\$ 308,810,988			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using quoted prices for similar securities in active markets. The County does not have any investments categorized as Level 3. Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values.

Interest Rate Risk

The following schedule presents the interest rate risk (increasing interest rates decrease the value of the bonds) based on maturity of the bonds held.

Maturities	
Cash and equivalents	\$ 38,806,440
Less than 1 year	11,810,030
1 - 5 years	2,659,938
5 - 10 years	1,438,353
Total	<u>\$ 54,714,761</u>

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Foreign Currency Risk

The following schedule shows the pension plans' exposure to foreign currency risk. This risk is created by the ownership of American Depository Receipts (ADR). ADRs are stocks that trade in the United States but represent a specified number of shares in a foreign corporation. ADRs are bought and sold on American markets just like regular stocks, and are issued/sponsored in the U.S. by a bank or brokerage. Because the value of an ADR is derived from the value of the foreign share price, fluctuations in that currency exchange rate create changes in value. Calvert County currently has no formal policy relating to foreign currency risk in the pension plans.

Country		
United Kingdom	\$	3,589,031
France		4,402,147
Japan		1,834,228
Switzerland		3,489,557
Germany		2,577,016
Netherlands		1,992,108
China		1,467,382
Ireland		1,327,464
Belgium		917,114
Columbia		917,113
Total	\$	22,513,160

Carrying Value

The carrying value of all the County's cash and investments as of June 30, 2017 are summarized in the following table:

Cash, Cash Equivalent or Investment type			Cash, Cash Equivalent or Investment type		
U.S. Agency obligations	\$	10,795,356	Unrestricted		\$ 320,280,889
U.S. Treasury strips		5,112,966	Restricted		33,119,663
Common stock		43,062,466		Total	\$ 353,400,553 *
Fixed assets		46,761,021			
Equity and bond funds		119,942,549			
Money market mutual funds		75,945,822			
Cash in banks		45,476,386			
Other special equity		6,290,794			
Petty cash		13,194			
Total	\$	353,400,553 *			

*includes agency fund cash of \$90,408.

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B. Component Units

Economic Development Authority

The Authority follows the investment policies of the County. Its investments at June 30, 2017, totaled \$1,785,423 and consisted of money market mutual funds.

Board of Education

Cash on Hand - At June 30, 2017, cash on hand for petty cash and change funds was \$806.

Deposits - At June 30, 2017, the carrying amount of the Board's deposit was \$27,683,467 consisting of cash in the amount of \$23,724,138 in governmental activities, \$2,039,563 in the business-type activities and \$1,919,766 in the agency fund with corresponding bank balances of \$19,797,951. Of the bank balances, all deposits were covered by Federal Depository Insurance and collateral held in the Board's name. The Board has a contractual agreement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Investment Rate Risk - Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board's investment policy limits the term of investment maturities to overnight repurchase agreements and MLGIP and requires that collateral securities underlying the repurchase agreements have a market value of at least 102 percent of the cost of the agreement. Interest income is reported as general revenue in the Calvert County Public School, Statement of Activities.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments to overnight deposits that are insured or collateralized with securities held by a custodian in the Board's name. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

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Note 4 - Notes Receivable

A. Primary Government

General Fund

The Affordable Housing Program – The County under this program has a 20 year loan set up to fund a participant in the County’s Water and Sewer Assistance Program. This note initiated in FY2009, will mature in FY2029 and bears interest at 5% per annum. Principal and interest payments are due monthly. At June 30, 2017, \$8,953 is outstanding.

Chesapeake Hills Golf Course - The Chesapeake Hills Golf Course ratified a loan with the general fund in 2014. The note calls for annual payments of \$13,930, non-interest bearing, commencing September 16, 2014 through maturity in 2019. At June 30, 2017, outstanding principal amounted to \$18,573.

Water and Sewer Fund

The Water and Sewer Fund ratified a loan with the general fund in 2014. The note calls for annual payments of \$175,000, non-interest bearing, commencing June 30, 2013 through maturity in 2052. At June 30, 2017, outstanding principal amounted to \$6,100,000 and is offset by a nonspendable fund balance to indicate these funds are not available, spendable resources.

Funds previously advanced by the General Fund to the Water and Sewer Fund for the Dares Beach Water Supply Project was converted to a note. The note calls for annual payments of \$19,969 including interest at 6.6%, commencing June 30, 1990 through maturity in 2019. At June 30, 2017, outstanding principal amounted to \$36,308 and is offset by a nonspendable fund balance to indicate these funds are not available, spendable resources.

Funds previously advanced by the General Fund to the Water and Sewer Fund for the Prince Frederick Water and Sewer System was converted to an interest-free note in 1992. Principal is payable annually beginning January 1, 1993 through maturity on January 1, 2025. At June 30, 2017, \$224,137 is outstanding, and is offset by a nonspendable fund balance to indicate these funds are not available, spendable resources.

Funds previously advanced by the General Fund to the Water and Sewer Fund for the Shores of Calvert Water and Sewer System were converted to a 20 year interest bearing note. The note calls for annual payments of \$9,967 including interest at 1.5%. Principal is payable annually beginning July 1, 2012 through maturity on July 1, 2031. At June 30, 2017, \$132,998 is outstanding, and is offset by a nonspendable fund balance to indicate these funds are not available, spendable resources.

Economic Development Incentive Fund

During fiscal year 2008 a fifteen-year, \$200,000 loan was made to Kelly Generator Inc. The note bears interest at 1.0% per annum. Principal is payable monthly, beginning September 2007 through maturity in August 2022. At June 30, 2017, \$72,298 is outstanding.

Economic Development Authority Revolving Loan Fund

During fiscal year 2016 a five-year, \$68,000 loan was made to Tax Depot, LLC. The note bears interest at 5.25% per annum. Principal is payable monthly, beginning December 2015 through maturity in February 2021. At June 30, 2017, \$51,571 is outstanding.

CALVERT COUNTY, MARYLAND
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Note 5 - Interfund Accounts and Transfers

Interfund Accounts - represent outstanding balances between funds resulting from the time lag between the dates that (1) interfund good and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made. These amounts include balances of working capital loans made to the enterprise funds which the general fund expects to collect in subsequent year. These accounts are also referred to as due to/from other funds. Most deposits and cash disbursements are processed using the General Fund bank account. These deposit and cash disbursement transactions create the interfund balances.

At June 30, 2017 the interfund account balances were as shown below:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
<u>General Fund</u>		
Special revenue funds	\$ 6,322	\$ 12,241,455
Capital projects fund	-	7,945,166
Enterprise funds	758,229	5,932,711
	764,551	26,119,332
<u>Special Revenue Funds</u>		
General fund	12,241,455	6,322
<u>Capital Projects Fund</u>		
General fund	7,945,166	-
<u>Enterprise Funds</u>		
General fund	5,932,711	758,229
	\$ 26,883,883	\$ 26,883,883
Component Units:		
Primary government – General fund	\$ -	\$ 11,248,506
Component unit – Board of Education	10,800,000	-
Component unit – Economic Development Authority	448,506	-
	\$ 11,248,506	\$ 11,248,506

Interfund Transfers - are used to (1) move revenues from the fund with collection authority to the enterprise and capital project funds for bond proceeds and (2) move general fund resources to provide annual operating subsidy to the capital projects, special revenue, and enterprise funds.

During the fiscal year ended June 30, 2017, the interfund transfers were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Primary Government:		
<u>Governmental Funds</u>		
Special revenue funds	\$ 8,749,512	\$ 1,334,076
Capital projects fund	3,946,276	-
General fund	-	11,381,342
	12,695,788	12,715,418
<u>Proprietary Funds</u>		
Water and sewer fund	-	-
Solid waste fund	19,630	-
	19,630	-
Total Transfers	\$ 12,715,418	\$ 12,715,418

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Note 6 - Capital Assets

A. Primary Government

A summary of changes in capital assets are as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions/ Reclassifications</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated				
Construction in Progress	\$ 6,211,814	\$ 9,475,423	\$ (4,804,504) ⁽¹⁾	\$ 10,882,733
Land Development Rights	11,245,305	-	-	11,245,305
Land	42,153,149	70,925	-	42,224,074
	<u>59,610,268</u>	<u>9,546,348</u>	<u>(4,804,504)</u>	<u>64,352,112</u>
Capital assets, being depreciated				
Buildings	78,945,173	-	(69,741)	78,875,432
Improvements	45,609,504	1,479,826	-	47,089,330
Machinery & Equipment	48,201,790	4,223,220	(977,702)	51,447,308
Infrastructure	139,337,340	4,555,583	-	143,892,923
	<u>312,093,807</u>	<u>10,258,629</u>	<u>(1,047,443)</u>	<u>321,304,993</u>
Less accumulated depreciation for:				
Buildings	(48,442,156)	(2,031,075)	69,741	(50,403,490)
Improvements	(22,560,250)	(2,382,708)	-	(24,942,958)
Machinery & Equipment	(35,711,788)	(3,505,292)	977,702	(38,239,378)
Infrastructure	(75,041,408)	(5,613,904)	-	(80,655,312)
	<u>(181,755,602)</u>	<u>(13,532,979)</u>	<u>1,047,443</u>	<u>(194,241,138)</u>
Total capital assets, being depreciated, net	<u>130,338,205</u>	<u>(3,274,350)</u>	<u>-</u>	<u>127,063,855</u>
Governmental activities capital assets, net	<u>\$ 189,948,473</u>	<u>\$ 6,271,998</u>	<u>\$ (4,804,504)</u>	<u>\$ 191,415,967</u>
Business-type activities:				
Capital assets, not being depreciated				
Construction in Progress	\$ 3,862,644	\$ 3,957,106	\$ (1,373,842)	\$ 6,445,908
Land	2,483,591	-	-	2,483,591
	<u>6,346,235</u>	<u>3,957,106</u>	<u>(1,373,842)</u>	<u>8,929,499</u>
Capital assets, being depreciated				
Buildings	55,369,583	891,143	-	56,260,726
Improvements	18,120,807	-	-	18,120,807
Machinery & Equipment	13,005,736	809,570	(19,600)	13,795,706
	<u>86,496,126</u>	<u>1,700,713</u>	<u>(19,600)</u>	<u>88,177,239</u>
Less accumulated depreciation for:				
Buildings	(33,549,793)	(1,479,882)	-	(35,029,675)
Improvements	(4,702,896)	(632,613)	-	(5,335,509)
Machinery & Equipment	(6,131,218)	(831,839)	19,600	(6,943,457)
	<u>(44,383,907)</u>	<u>(2,944,334)</u>	<u>19,600</u>	<u>(47,308,641)</u>
Total capital assets, being depreciated, net	<u>42,112,219</u>	<u>(1,243,621)</u>	<u>-</u>	<u>40,868,598</u>
Business-type activities capital assets, net	<u>\$ 48,458,454</u>	<u>\$ 2,713,485</u>	<u>\$ (1,373,842)</u>	<u>\$ 49,798,097</u>

(1) Excludes assets of \$7,009,356 that were transferred to the Board of Education

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. Component Units:

Economic Development Authority

A summary of changes in capital assets for the year ended June 30, 2017 as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 22,191	\$ -	\$ -	\$ 22,191
	<u>\$ 22,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,191</u>

Board of Education

A summary of changes in capital assets for the year ended June 30, 2017 as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions/ Reclassifications</u>	<u>Balance June 30, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,849,196	\$ -	\$ -	\$ 3,849,196
Construction in progress	4,356,372	17,504,352	(380,204)	21,480,520
Total capital assets, not being depreciated	8,205,568	17,504,352	(380,204)	25,329,716
Capital assets, being depreciated:				
Buildings and improvements	313,860,951	350,934	-	314,211,885
Land improvements	5,824,480	426,015	-	6,250,495
Equipment	7,852,221	1,011,169	(489,042)	8,374,348
Total capital assets, being depreciated	327,537,652	1,788,118	(489,042)	328,836,728
Less accumulated depreciation for				
Buildings and improvements	(106,440,527)	(6,824,099)	-	(113,264,626)
Land improvements	(3,551,967)	(306,287)	-	(3,858,254)
Equipment	(6,127,647)	(449,736)	485,095	(6,092,288)
Total accumulated depreciation	(116,120,141)	(7,580,122)	485,095	(123,215,168)
Total capital assets, being depreciated, net	211,417,511	(5,792,004)	(3,947)	205,621,560
Governmental activities capital assets, net	<u>\$ 219,623,079</u>	<u>\$ 11,712,348</u>	<u>\$ (384,151)</u>	<u>\$ 230,951,276</u>
Business-type Activities:				
Equipment at historical costs	\$ 1,915,001	\$ 44,879	\$ (7,950)	\$ 1,951,930
Less accumulated depreciation	(1,767,177)	(38,592)	7,950	(1,797,819)
Business-type activities capital assets, net	<u>\$ 147,824</u>	<u>\$ 6,287</u>	<u>\$ -</u>	<u>\$ 154,111</u>

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Component Units, continued

Board of Education

The Board's active school construction projects as of June 30, 2017 as follows:

	Spent to Date	Commitment
Northern High School	\$ 8,835,537	\$ 14,637,227
Total	\$ 8,835,537	\$ 14,637,227

These projects are funded primarily by capital grants from Calvert County and the State of Maryland prior to commitments being made with contractors.

Depreciation expense for the year ended June 30, 2017 for Calvert County and component units (Board of Education and Economic Development Authority) were as follows:

Primary Government:

Governmental activities:

General government	\$ 1,492,007
Public safety	3,938,766
General services	2,336,938
Public works	5,624,912
Community resources	140,356
Education	-
Total	\$ 13,532,979

<i>Busi.</i> Water and Sewer	\$ 2,609,218
Solid Waste and Recycling	335,116
	\$ 2,944,334

Component Units:

Board of Education - governmental activities:

<i>Instruction:</i>	
Regular education	\$ 107,922
Special education	11,255
<i>Support services:</i>	
Administration	156,441
Mid-level administration	7,783
Transportation	2,345
Operation of plant and equipment	7,161,820
Maintenance of plant	132,556
Total	\$ 7,580,122

Board of Education - business-type activities:

Food services	\$ -
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<i>Economic Development:</i>	\$ 19,700
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CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 - Long-Term Obligations

A. Primary Government

Changes in Long-term Obligations

The following is a summary of the changes in long-term obligations of the County for the year ended June 30, 2017.

The liability for Compensated Absences, under governmental activities, the general fund normally liquidates 93 percent, the special revenue funds liquidate less than 1 percent. For the business-type activities, the solid waste fund liquidates 4 percent, the water and sewer fund liquidates 2 percent, and the nonmajor proprietary funds liquidate 1 percent.

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and Notes Payable					
General Obligation Debt ⁽¹⁾	\$ 97,093,567	\$ 50,526,998	\$ (34,364,217)	\$ 113,256,348	\$ 14,089,051
Notes Payable ⁽²⁾	87,843	-	(17,738)	70,105	17,737
The Land Preservation Program	5,619,440	-	(148,500)	5,470,940	1,020,600
Other Liabilities:					
Landfill Closure Costs	330,000	-	(30,000)	300,000	30,000
Net Pension Liability	27,147,716	-	(12,658,015)	14,489,701	-
Net OPEB Obligation	19,694,421	4,073,838	-	23,768,259	-
Compensated Absences	9,719,964	3,806,388	(1,333,274)	12,193,078	1,435,270
Total	<u>\$ 159,692,951</u>	<u>\$ 58,407,224</u>	<u>\$ (48,551,744)</u>	<u>\$ 169,548,431</u>	<u>\$ 16,592,658</u>
Business-type activities:					
Bonds and Notes Payable					
General Obligation Debt ⁽¹⁾	\$ 12,379,014	\$ 2,928,711	\$ (645,249)	\$ 14,662,476	\$ 706,475
Notes Payable ⁽¹⁾	13,451,305	685,551	(880,580)	13,256,276	865,825
Other Liabilities:					
Landfill Closure Costs	3,160,018	7,813	-	3,167,831	65,000
Compensated Absences	566,420	93,559	(123,497)	536,482	100,000
Total	<u>\$ 29,556,757</u>	<u>\$ 3,715,634</u>	<u>\$ (1,649,326)</u>	<u>\$ 31,623,065</u>	<u>\$ 1,737,300</u>

(1) Indicates debt issued for the purpose of acquiring capital assets.
(2) Represents debt used for other governmental purposes.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Obligation Balances and Terms – Governmental Activities

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

Bond Description and Year	Amount Borrowed	Rate	Due serially through	Governmental Activities Balance
<i>Governmental Activities</i>				
<i>General Obligation Bonds</i>				
Consolidated Public Improvement Project Bonds, 2007 Series	\$ 29,780,000	4% - 5%	April 1, 2022	\$ 2,180,000
Consolidated Public Improvement Project Bonds, 2010 Series	13,921,232	3% - 5%	July 1, 2025	9,363,736
Consolidated Public Improvement Project Bonds, 2011 Series	19,256,271	2% - 5%	May 1, 2026	11,550,962
Refunding Bonds, 2011 Series (replaced the 2003/2004 Series bonds)	15,360,000	2% - 5%	July 15, 2018	6,580,000
Consolidated Public Improvement Project Bonds, 2012 Series	6,290,000	3% - 4%	April 1, 2027	4,195,001
Refunding Bonds, 2012 Series (replaced the 2005/2006 Series bonds)	6,425,000	3% - 4%	April 1, 2027	4,690,000
Consolidated Public Improvement Project Bonds, 2013 Series	5,415,000	3% - 4%	April 1, 2028	4,250,000
Refunding Bonds, 2013 Series (replaced the 2003/2007 Series bonds)	10,437,071	3% - 4%	April 1, 2028	9,722,117
Consolidated Public Improvement Project Bonds, 2014 Series	5,760,000	2% - 5%	May 1, 2029	4,795,000
Consolidated Public Improvement Project Bonds, 2016 Series	28,030,000	2% - 5%	July 1, 2031	28,030,000
Refunding Bonds, 2016 Series (replaced the 2008/2009 Series bonds)	18,670,000	2% - 5%	July 1, 2032	18,670,000
<i>Shore Erosion Control</i>				
Western Shores (non-interest bearing)	261,042	n/a	July 1, 2017	13,052
Solomons United Methodist Church (non-interest bearing)	32,150	n/a	July 1, 2026	12,860
Our Lady Star of the Sea (non-interest bearing)	84,987	n/a	July 1, 2029	44,193
<i>Other</i>				
The Land Preservation Program	<u>10,611,555</u>	3% - 5%		<u>5,470,940</u>
Total General Obligation Bonds and Notes Receivables	170,334,308			109,567,861
Premium, 2009, 2010, 2011, 2012, 2013, 2014, 2016 Series				<u>9,229,532</u>
Total Governmental Activities	<u>\$ 170,334,308</u>			<u>\$ 118,797,393</u>

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Obligation Balances and Terms – Business-Type Activities

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

Bond Description and Year	Amount Borrowed	Rate	Due serially through	Business-Type Activities Balance
<i>Business-Type Activities</i>				
<i>General Obligation Bonds - Water and Sewer</i>				
Consolidated Public Improvement Project Bonds, 2010 Series	\$ 2,314,702	3% - 5%	July 1, 2025	\$ 1,556,921
Consolidated Public Improvement Project Bonds, 2011 Series	2,769,000	2% - 5%	May 1, 2036	2,041,041
Consolidated Public Improvement Project Bonds, 2012 Series	3,065,000	3% - 4%	April 1, 2037	2,445,000
Refunding Bonds, 2013 Series (replaced the 2003 Series bonds)	225,330	3% - 4%	April 1, 2022	209,902
Consolidated Public Improvement Project Bonds, 2013 Series	1,180,000	3% - 4%	April 1, 2038	1,050,000
Consolidated Public Improvement Project Bonds, 2014 Series	3,275,000	2% - 5%	May 1, 2039	3,000,000
Consolidated Public Improvement Project Bonds, 2016 Series	1,765,000	2% - 5%	July 1, 2041	1,765,000
<i>Notes Payable - Water and Sewer</i>				
Water Supply Facilities Loan Note	89,775	6.6%	November 1, 2019	18,797
General Fund Note - Dares Beach Water Supply	258,225	6.6%	June 30, 2019	36,308
General Fund Note - Prince Frederick (non-interest bearing)	863,254	n/a	January 1, 2025	224,137
General Fund Note - Shores of Calvert (interest bearing)	171,127	1.50%	July 1, 2032	132,997
General Fund Note - Water and Sewer	7,000,000	0.00%	June 30, 2052	6,100,000
Maryland Department of the Environment (MDE) Note - Kenwood Beach	250,000	4.64%	February 1, 2033	179,378
Maryland Water Quality Financing Admin Note - Dares Beach	500,000	1.6%	August 1, 2020	117,907
Maryland Water Quality Financing Admin Note - Prince Frederick	6,300,000	1.5%	February 1, 2022	1,754,982
Maryland Water Quality Financing Admin Note - Patuxent Business Park	400,000	1%	February 1, 2024	155,843
Maryland Water Quality Financing Admin Note - Chesapeake Beach	1,071,036	1.1%	February 2, 2028	606,618
Maryland Water Quality Financing Admin Note - Chesapeake Beach WWTP	1,671,099	1.1%	February 1, 2036	1,671,099
Maryland Water Quality Financing Admin Note - East Prince Fred Tank	<u>2,258,209</u>	0.9%	December 1, 2036	<u>2,258,218</u>
Total General Obligation Bonds and Notes Receivables	35,426,757			25,324,148
Premium, 2010, 2011, 2012, 2013, 2014, 2016 Series				<u>681,597</u>
Total Water and Sewer	<u>\$ 35,426,757</u>			<u>\$ 26,005,745</u>
<i>General Obligation Bonds - Solid Waste</i>				
Consolidated Public Improvement Project Bonds, 2010 Series	\$ 274,066	3% - 5%	July 1, 2025	\$ 184,343
Consolidated Public Improvement Project Bonds, 2011 Series	1,000,000	2% - 5%	May 1, 2026	602,996
Refunding Bonds, 2013 Series (replaced the 2003 Series bonds)	67,599	2% - 5%	April 1, 2022	62,969
Consolidated Public Improvement Project Bonds, 2016 Series	1,010,000	2% - 5%	July 1, 2031	<u>1,010,000</u>
Total General Obligation Bonds	1,341,665			1,860,308
Premium, 2010, 2011, 2016 Series				<u>52,699</u>
Total Solid Waste	<u>\$ 1,341,665</u>			<u>\$ 1,913,007</u>
Total Business Type Activities	<u>\$ 36,768,422</u>			<u>\$ 27,918,752</u>

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Debt Requirements

The minimum annual requirements to amortize all outstanding debt, except compensated absences, estimated landfill postclosure costs, net pension liability, and net OPEB obligation as of June 30, 2017 are as follows:

Governmental Activities				
Years Ending June 30,	Principal	Interest	Total	
2018	\$ 14,296,835	\$ 4,354,823	\$	18,651,658
2019	14,695,194	3,753,422		18,448,616
2020	11,474,111	3,193,119		14,667,230
2021	13,740,781	2,675,244		16,416,025
2022	10,824,930	2,022,629		12,847,559
2023-2027	31,915,311	4,596,511		36,511,822
2028-2032	12,620,699	824,494		13,445,193
Premium	9,358,045	-		9,358,045
	\$ 118,925,906	\$ 21,420,242	\$	140,346,148

Business-Type Activities				
Years Ending June 30,	Principal	Interest	Total	
2018	\$ 1,597,193	\$ 611,149	\$	2,208,342
2019	1,677,971	572,352		2,250,323
2020	1,692,838	529,392		2,222,230
2021	1,711,034	482,626		2,193,660
2022	1,702,972	437,481		2,140,453
2023-2027	6,249,461	1,550,504		7,799,965
2028-2032	4,982,125	918,111		5,900,236
2033 - thereafter	7,710,853	488,380		-
Premium	599,896	-		599,896
	\$ 27,924,343	\$ 5,589,995	\$	25,315,105

Estimated Closure and Postclosure Costs

Barstow Landfill - During 1997, the County closed the Barstow Landfill. The current estimate of post closure costs is \$300,000. The landfill is at 100% capacity with no remaining useful life. An amount is recorded in the general long-term debt for the estimated postclosure costs associated with the Barstow Landfill. This amount is required by state and federal regulations to provide for monitoring costs associated with the closed landfill. Therefore, the total estimated cost of postclosure care has been recorded.

Appeal Landfill - This is the County's current operating landfill. In 1998, the County entered into a long-term arrangement under which the County's waste is transferred out of the County, which has extended the life of the landfill. An accrual is recorded for the estimated closure and postclosure costs associated with the Appeal Landfill. The accrual is based upon the capacity used to date. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, a portion of these closure and postclosure care costs are reported as an operating expense in each period based on landfill capacity used as of each balance sheet date. This accrual is required by state and federal regulations to provide for

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

the capping and monitoring costs associated with the closing of the landfill. The estimate of total closure and post closure costs, provided by an independent contractor specializing in landfills is \$7,289,037.

This amount has been and will be increased by a factor of 3.5% to account for inflation, through fiscal year 2033. In fiscal year 2012, the county obtained an independent contractor to provide an analysis that would ensure compliance with changing federal and state laws, study potential changes in costs due to inflation or deflation, and changes in technology in an effort to maintain accurate accruals. The percentage of the landfill that is full was re-estimated in FY13 as 72.8%; therefore, \$3,167,831 represents the accrued reserve at June 30, 2017, which is reported in the Solid Waste and Recycling fund. The amount that has not yet been recognized in the County's financial statements is \$4,121,206. The accrued reserve will be increased with a contribution of \$7,813 for FY2018.

B. Component Units

Changes in Long-term Obligations

The following is a summary of the changes in the Long-Term Obligations of the Board of Education for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated Absences	\$ 3,463,123	\$ 2,227,925	\$ (2,128,967)	\$ 3,562,081	\$ 125,811
Net OPEB Obligation	74,712,384	16,027,330	-	90,739,714	-
Total	<u>\$ 78,175,507</u>	<u>\$ 18,255,255</u>	<u>\$ (2,128,967)</u>	<u>\$ 94,301,795</u>	<u>\$ 125,811</u>
Business-type activities:					
Compensated Absences	\$ 44,248	\$ 35,681	\$ (29,677)	\$ 50,252	\$ -
Net OPEB obligation	1,223,855	249,670	-	1,473,525	-
Total	<u>\$ 1,268,103</u>	<u>\$ 285,351</u>	<u>\$ (29,677)</u>	<u>\$ 1,523,777</u>	<u>\$ -</u>

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 - Fund Balances

A. Governmental Funds - Fund Balance

Fund Balance – In fiscal year 2011, Calvert County implemented GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. The new fund balance classifications are as follows:

1. Nonspendable: Amounts that cannot be spent because they are either in a nonspendable form, or are legally or contractually required to be maintained intact.
2. Restricted: Amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
3. Committed: Amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the County's highest level of decision making authority. The Board of County Commissioners (BOCC) is the highest level of decision-making authority, and committed funds are established by resolution. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.
4. Assigned: Amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the BOCC or the Director of Finance and Budget as established in the County's Fund Balance Policy.
5. Unassigned: Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

The County has passed a fund balance resolution that specifies the spending order of the different types of fund balances. Nonspendable amounts by definition can't be spent. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the County's policy to use committed resources first, the assigned, and then unassigned as they are needed.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

As of June 30, 2017, fund balances were reported as follows:

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND
GOVERNMENTAL FUNDS FUND BALANCES
JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 266,078	\$ -	\$ 67,309	\$ 333,387
Long term receivables	6,512,016	-	-	6,512,016
Total Nonspendable	<u>6,778,094</u>	-	<u>67,309</u>	<u>6,845,403</u>
Restricted for:				
Leveraging obligations	-	-	5,261,008	5,261,008
Other purposes	-	-	6,254,267	6,254,267
Endowments	54,030	-	41,846	95,876
Total Restricted for	<u>54,030</u>	-	<u>11,557,121</u>	<u>11,611,151</u>
Committed to:				
Encumbrances:				
General government	636,580	-	-	636,580
Public safety	900,841	-	-	900,841
General services	638,689	-	-	638,689
Public works	2,739,467	-	-	2,739,467
Economic development	52,410	-	-	52,410
Community resources	7,683	-	-	7,683
Education	8,376	-	-	8,376
Other purposes	-	-	-	-
Stabilization arrangement	19,741,998	-	-	19,741,998
Board of education	-	-	-	-
Other purposes	320,977	-	2,988,781	3,309,758
Total Committed to	<u>25,047,021</u>	-	<u>2,988,781</u>	<u>28,035,802</u>
Assigned to:				
Vacation/sick leave	5,000,000	-	-	5,000,000
OPEB	-	-	-	-
Other purposes	-	-	1,987,404	1,987,404
Other capital projects	-	21,848,695	-	21,848,695
Total Assigned to	<u>5,000,000</u>	<u>21,848,695</u>	<u>1,987,404</u>	<u>28,836,099</u>
Unassigned:	<u>24,060,353</u>	-	-	<u>24,060,353</u>
Total fund balances:	<u>\$ 60,939,498</u>	<u>\$ 21,848,695</u>	<u>\$ 16,600,615</u>	<u>\$ 99,388,808</u>

Other long-term receivables - The amount of notes receivable advanced to Dares Beach Water, Prince Frederick Water and Sewer, Shores of Calvert Water and Sewer System, advances to the Water and Sewer fund, and one Parks and Recreation notes receivable at June 30, 2017.

Reserved for other purposes - These amounts represent the portion of fund balance restricted for the special purpose of the following funds: Special Revenue Funds, Parks and Recreation Fund, and Land Preservation Fund.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 - Retirement Systems

A. Primary Government

All new employees to Calvert County Government are either in the Sheriff's Department Pension Plan or the Calvert County Employee Retirement Savings Plan. The Primary Government operates four Pension Trust Funds – Length of Service Award Program, Calvert County Sheriff's Department Pension Plan, Calvert County Employees Retirement Plan, and the Calvert County Maryland Other Post-Employment Benefits Trust (OPEB). Separate audited financial statements have not been issued for these County plans. The County Plans' Statements of Net Position and Statements of Changes in Net Position are presented at the end of this note. In addition, some employees participate in the State Retirement System of Maryland. See page 64 for additional information.

1. Length of Service Award Program

Summary of Significant Accounting Policies

Pensions – Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The net pension liability was computed using the Entry Age Normal Cost Method as a part of an actuarial valuation performed as of July 1, 2017.

Plan Description

Plan administration - The County contributes to the Length of Service Awards Program (LSAP) for the Volunteer Fire and Rescue Squads personnel of Calvert County (Plan), a single-employer noncontributory retirement and pension plan. Any person who is certified as an active member with any Calvert County Volunteer Fire Company or Rescue Squad is eligible to participate in the Plan. The County contributes all amounts necessary to fund the payments of benefits under the Plan.

Management and all other requirements are established by the Fire and Rescue Commission and approved by the Commissioners as authorized by the legislative assembly.

Employees covered by benefit terms - At June 30, 2017, the membership was as follows:

Inactive employees or beneficiaries currently receiving benefits	67
Active employees currently receiving benefits	64
Active employees	1,109

Benefits provided - Active members who attain age 55 and have completed 25 years of certified volunteer service shall receive \$400 per month plus \$4 per month additional for each year of service in excess of 25 years, with a maximum benefit of \$500 per month. If an active member attains age 70 and has 2 years of qualifying service out of the last 5 years, but does not complete 25 years of service, a monthly benefit equal to \$8 times the years of service will be payable. The Plan also provides for death and disability benefits to participating volunteers. Disability benefits are determined in the same manner but are payable immediately. Members who have at least 25 years of service are entitled to a Death benefit which is payable to his or her surviving spouse and is entitled to 50% of the member's benefit and a \$6,000 burial benefit.

Contribution – The contribution made by the County to the Plan for fiscal 2017 totaling \$550,000 were made in accordance with actuarial determined requirements computed through and actuarial valuation performed on July 1, 2017.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Investments

Investment policy – The pension plans policy in regard to the targeted allocation of invested assets is based on the County’s investment advisors recommendations.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash/cash equivalents	5.0%
Domestic equity	55.0%
International equity	15.0%
Fixed income	25.0%
Total	100.0%

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 15.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The County’s net pension liability, for the measurement period of June 30, 2016 to June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions and methods – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

<u>Funding method</u>	<u>Entry Age Normal</u>
Inflation rate	2.2%
Salary increases	n/a
Investment rate of return	7.75%
Mortality	RP-2000 combined healthy generational mortality table

Long-term rate of return – The long-term rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Classes</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. equity	4.20%
Small Cap U.S. equity	4.70%
International equity	4.79%
Emerging Markets equity	5.19%
Core U.S. fixed income	1.47%
Private equity	6.26%

CALVERT COUNTY, MARYLAND
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Discount rate – The discount rate of 7.75% was selected by the County. Based on the target allocation of the trust fund and the actuarial current economic model for future investment returns, it is estimated that there is an approximately a 40% chance the fund will average more than this return and a 60% chance the fund will average less than this return over the next 30 years.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 06/30/16	\$7,426,952	\$3,444,103	\$3,982,850
Changes for the year:			
Service cost	128,219	-0-	129,219
Interest on the total pension liability	559,036	-0-	559,036
Change in benefit terms	91,320	-0-	91,320
Difference between expected and actual experience	1,202,456	-0-	1,202,456
Contributions - employer	-0-	550,000	(550,000)
Contributions – employee	-0-	-0-	-0-
Net investment income	-0-	533,099	(533,100)
Benefit payments	(696,595)	(696,595)	-0-
Administrative expense	-0-	(10,500)	10,500
Net changes	1,284,436	376,005	908,431
Balance at 06/30/17	\$8,711,388	\$3,820,107	\$4,891,281

Sensitivity of the net pension liability – The following presents the net pension liability of the County, calculated using the discount rate of 7.75%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75)	Current Discount Rate (7.75)	1% Increase (8.75)
Total pension liability	\$9,655,529	\$8,711,388	\$7,919,057
Plan fiduciary net position	(3,820,107)	(3,820,107)	(3,820,107)
County’s net pension liability	\$5,835,422	\$4,891,281	\$4,098,950

Pension plan fiduciary net position - For the year ended June 30, 2017, the County recognized pension expense of \$804,615. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,083,035	\$-0-
Changes of assumptions	-0-	-0-
Net difference between expected and actual earnings	123,194	-0-
Total	\$1,206,229	\$-0-

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$371,122
2019	371,122
2020	273,582
2021	190,403

2. Calvert County Sheriff's Department Pension Plan

Summary of Significant Accounting Policies

Pensions – Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The net pension liability was computed using the Entry Age Normal Cost Method as a part of an actuarial valuation performed as of July 1, 2017.

Plan Description

Plan administration - The County contributes to the Calvert County Sheriff's Department Pension Plan (Plan), a single-employer defined benefit pension plan. All full-time deputy sheriffs and correctional officers employed by the County, excluding those who were hired prior to July 1, 1989, who elected to remain in the State Pension System, are eligible to participate in the Plan.

Management of the Sheriff's Plan is vested in the Board of Trustees, which consists of nine members appointed by the BOCC. The Trustee officer's include two employees (one deputy sheriff and one correctional officer) whom are plan members, the County Administrator, Director of Public Safety, Director of Finance and Budget, a retired deputy, and three outside members who have financial expertise and are not County employees or members of the BOCC.

Employees covered by benefit terms - At June 30, 2017, the membership was as follows:

Retired	68
Terminated, vested	51
Active, vested	134
Active, non-vested	54
Total active	188

Benefits provided - Benefits vest 50% after 5 years, increasing 5% a year to 100% after 15 years. County employees who retire at or after age 55 or after 25 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.4% of their final average earnings for each year of service up to 20, plus 2% of final average earnings for service over 20 years and up to 27 years. The Plan also provides for death and disability benefits to participating employees. Benefit provisions and all other requirements are established by a County-appointed Board of Trustees.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
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Contribution - The contributions made to the Plan for fiscal 2017 totaling \$3,200,000 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2017.

Investments

Investment policy – The pension plans policy in regard to the targeted allocation of invested assets is based on the County’s investment advisors recommendations.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50.0%
International equity	15.0%
Fixed income	30.0%
Private equity	5.0%
Total	100.0%

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 15.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The County’s net pension liability, for the measurement period of June 30, 2016 to June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions and methods – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

<u>Funding method</u>	<u>Entry Age Normal</u>
Inflation rate	2.2%
Salary increases:	
Correctional Officers	5.00% - 7.25%, based on age
Deputy Sheriffs	5.00% - 7.25%, based on age
Investment rate of return	7.75%
Mortality	RP-2000 combined healthy generational mortality table

Long-term rate of return – The long-term rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2017 are summarized in the following table:

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
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Asset Classes	Long-term Expected Real Rate of Return
Large Cap U.S. equity	4.20%
Small Cap U.S. equity	4.70%
International equity	4.79%
Emerging Markets equity	5.19%
Core U.S. fixed income	1.47%
Private equity	6.26%

Discount rate – The discount rate of 7.75% was selected by the County. Based on the target allocation of the trust fund and the actuarial current economic model for future investment returns, it is estimated that there is an approximately a 40% chance the fund will average more than this return and a 60% chance the fund will average less than this return over the next 30 years.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 06/30/16	\$76,552,734	\$67,821,206	\$8,731,528
Changes for the year:			
Service cost	2,239,796	-0-	2,239,796
Interest on the total pension liability	6,004,066	-0-	6,004,066
Difference between expected and actual experience	-0-	-0-	-0-
Contributions - employer	-0-	3,200,000	(3,200,000)
Contributions – employee	-0-	942,266	(942,266)
Net investment income	-0-	10,607,920	(10,607,920)
Benefit payments	(2,691,653)	(2,691,653)	-0-
Administrative expense	-0-	(73,277)	73,277
Net changes	5,552,209	11,985,256	(6,433,047)
Balance at 06/30/17	<u>\$82,104,943</u>	<u>\$79,806,462</u>	<u>\$2,298,481</u>

Sensitivity of the net pension liability – The following presents the net pension liability of the County, calculated using the discount rate of 7.75%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75)	Current Discount Rate (7.75)	1% Increase (8.75)
Total pension liability	\$94,991,270	\$82,104,943	\$71,653,356
Plan fiduciary net position	(79,806,462)	(79,806,462)	(79,806,462)
County’s net pension liability	<u>\$15,184,808</u>	<u>\$2,298,481</u>	<u>\$(8,153,106)</u>

Pension plan fiduciary net position - For the year ended June 30, 2017, the County recognized pension expense of \$1,538,311. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CALVERT COUNTY, MARYLAND
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$-0-	\$4,555,968
Changes of assumptions	-0-	-0-
Net difference between expected and actual earnings	663,325	-0-
Total	\$663,325	\$4,555,968

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

Year ended June 30:	
2018	\$(184,521)
2019	(184,521)
2020	(658,581)
2021	(1,949,916)
Thereafter	(915,104)

3. Calvert County Employees Retirement Plan

Summary of Significant Accounting Policies

Pensions – Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The net pension liability was computed using the Entry Age Normal Cost Method as a part of an actuarial valuation performed as of July 1, 2017.

Plan Description

Plan administration -The County contributes to the Calvert County Employees Retirement Plan (the Plan), a single employer defined benefit pension plan that provides retirement benefits and death and disability benefits to participating employees and their beneficiaries. All full-time employees of the County plus part-time employees working at least 50% of a regular work week and employees of the office of the State's Attorney and the Calvert County Housing Authority were eligible to participate in the Plan. If hired before July 1, 1996, benefits vest 100% for service greater or equal to 5 years, or if hired on or after July 1, 1996, benefits vest 100% for service greater or equal to seven years. No new participants were added to this plan after the adoption of the Calvert County Employee Retirement Savings Plan.

Management of the Employees Retirement Plan is vested in the Board of Trustees, which consists of eight members appointed by the BOCC. The Trustee officer's include one employee who is a plan participant and appointed by the Calvert County Employee Representative Committee, one employee who a plan participant and appointed by the BOCC, the County Administrator, Director of Public Safety, Director of Finance and Budget, the Deputy Director of Finance and Budget, and three outside members who are appointed by the BOCC and who are residents of the County and who have expertise in pension administration, investing or finance, and who are not County employees or elected or appointed County officials.

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Employees covered by benefit terms - At June 30, 2017, the membership was as follows:

Retired	177
Terminated, vested	20
Active, vested	88

Benefits provided - County employees in this plan are eligible to receive retirement benefits the first month following completion of 30 years of eligibility service or (1) if hired prior to July 1, 1996, first month following attainment of age 62, completion of 2 years eligibility service and sum of age and service is at least 67, and (2) if hired on or after July 1, 1996, the first of the month following attainment of age 62 and completion of 7 years of eligible service. Benefits are payable monthly for life, in an amount equal to 1.5% of the average final salary (the highest consecutive thirty-six month period of base pay) up to covered compensation for each year of service up to 30 years plus .3% of average final salary over the Social Security integration level for each year of service up to 30 years, plus 1.0% of the average final salary for each year in excess of 30 years up to 5 years. Benefit provisions and all other requirements are established by the County Commissioners and administered by a County-appointed Board of Trustees.

Contribution - The contributions made to the Plan for fiscal 2017 totaling \$2,900,000 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2017.

Investments

Investment policy – The pension plans policy in regard to the targeted allocation of invested assets is based on the County’s investment advisors recommendations.

<u>Asset Class</u>	<u>Target Allocation</u>
US equity	55.0%
International equity	20.0%
US fixed income	20.0%
Private equity	5.0%
Total	<u>100.0%</u>

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 15.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The County’s net pension liability, for the measurement period of June 30, 2016 to June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions and methods – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

CALVERT COUNTY, MARYLAND
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Funding method	Entry Age Normal
Inflation rate	2.2%
Salary increases	6.0% under 46, 5.0% 46 and older
Investment rate of return	7.75%
Mortality	RP-2000 combined healthy generational mortality table

Long-term rate of return – The long-term rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Classes</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. equity	4.20%
Small Cap U.S. equity	4.70%
Global equity	4.99%
International equity	4.79%
Emerging Markets equity	5.19%

Discount rate – The discount rate of 7.75% was selected by the County. Based on the target allocation of the trust fund and the actuarial current economic model for future investment returns, it is estimated that there is an approximately a 40% chance the fund will average more than this return and a 60% chance the fund will average less than this return over the next 30 years.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 06/30/16	\$77,728,278	\$63,294,939	\$14,433,339
Changes for the year:			
Service cost	697,192	-0-	697,192
Interest on the total pension liability	5,935,855	-0-	5,935,855
Difference between expected and actual experience	(964,962)	-0-	(964,962)
Contributions - employer	-0-	2,900,000	(2,900,000)
Contributions – employee	-0-	116,704	(116,704)
Net investment income	-0-	9,818,496	(9,818,496)
Benefit payments	(3,737,331)	(3,737,331)	-0-
Administrative expense	-0-	(33,714)	33,714
Net changes	1,930,754	9,064,155	(7,133,401)
Balance at 06/30/17	\$79,659,032	\$72,359,094	\$7,299,938

Sensitivity of the net pension liability – The following presents the net pension liability of the County, calculated using the discount rate of 7.75%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

CALVERT COUNTY, MARYLAND
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	1% Decrease (6.75)	Current Discount Rate (7.75)	1% Increase (8.75)
Total pension liability	\$88,550,643	\$79,659,032	\$72,091,120
Plan fiduciary net position	(72,359,094)	(72,359,094)	(72,359,094)
County's net pension liability	\$16,191,549	\$7,299,938	\$(267,974)

Pension plan fiduciary net position - For the year ended June 30, 2017, the County recognized pension income of \$545,391. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$-0-	\$482,481
Changes of assumptions	-0-	-0-
Net difference between expected and actual earnings	687,827	-0-
Total	\$687,827	\$482,481

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

Year ended June 30:	
2018	\$216,224
2019	698,704
2020	255,691
2021	(965,273)

4. Calvert County Maryland Other Post-Employment Benefits Trust

Summary of Significant Accounting Policies

OPEB – Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The net OPEB liability was computed using the Entry Age Normal Cost Method as a part of an actuarial valuation performed as of June 30, 2017.

Plan Description

Plan administration - The County contributes to the Calvert County Maryland Other Post-Employment Benefit Trust (Plan), an agent multiple employer defined benefit postemployment healthcare plan. Benefit provisions and all other requirements are established by the County Commissioners and the County Board of Education and administered by a jointly appointed Board of Trustees. The plan provides healthcare, prescription drug and dental benefits to retired employees, spouses and dependents, of participating governmental entities. The plan also provides life insurance benefits for retirees of the Board of

CALVERT COUNTY, MARYLAND
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Education. Active employees of a participating governmental entity who retire or are disabled and meet the eligibility criteria will participate. Generally employees must have retired from a participating entity to be eligible.

Management of the Other Post-Employment Benefit Trust (Plan), is vested in the Board of Trustees, which consists of nine members. The Trustee officer's include three Calvert County Public School (CCPS) employees, who are appointed by the Board of Education. The other six consist of three County employees and three citizens with expertise in either funding retiree health care benefits, in health benefits administration, in the economics of affordable retiree health care programs, or in investing pension fund assets, or in finance, who are residents of the county and who are not County or CCPS employees of either entity or participants in any County or CCPS retirement plan.

Employees covered by benefit terms - At June 30, 2017, the membership was as follows:

	<u>County</u>	<u>Board of Education</u>
Active	692	1,606
Retired	190	805
Total	882	2,411

Benefits provided - The Calvert County Board of County Commissioners will establish annually a health insurance subsidy amount under the Plan. These subsidies will be reviewed annually and are subject to change based on budgetary constraints. For retirees who retired before June 30, 2008, the subsidy is 90% of the premium, for retirees who retired after June 30, 2008 the subsidy is 75% of the premium. Retirees who retired prior to August 1, 1994 receive 100% of their individual policy and 50% of the difference between the individual policy and the policy selected. Retirees will earn or vest in the subsidy based upon their years of creditable service, at a rate ranging from 20% to 100%. Current retirees, who have a 100% subsidy, equate to the Plan covering 75% of their cost of benefit coverage. The retiree is responsible for the difference between the cost of the selected Plan and the earned subsidy. The Board of Education establishes the level of benefits for its retirees which includes health care and life insurance benefits.

Contribution - The pay-as-you-go contribution made to the plan for fiscal year 2017 totaled \$1,360,461.

Annual OPEB cost and Net OPEB obligation - the following schedule gives information on the County's and the Board of Education:

	<u>County</u>	<u>Board of Education</u>	<u>Total</u>
Annual required contribution	\$5,881,875	\$23,985,000	\$29,866,875
Interest on net OPEB obligation	984,721	3,723,000	4,707,721
Adjustment to ARC	(1,028,758)	(5,656,000)	(6,684,758)
Annual OPEB cost	\$5,837,838	\$22,052,000	\$27,889,838
Contribution made	1,764,000	5,775,000	7,539,000
Increase in net OPEB obligation	\$4,073,838	\$16,277,000	\$20,350,838
Net OPEB obligation, beginning of year	19,694,421	75,936,239	95,630,660
Net OPEB obligation, end of year	\$23,768,259	\$92,213,239	\$115,981,498

CALVERT COUNTY, MARYLAND
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The County's Annual OPEB Costs, Percentage of OPEB Costs contributed, and Net OPEB Obligation for the plan for the current year and each of the two preceding years were as follows:

Valuation Date June 30,	Annual OPEB Costs	Percentage Of OPEB Costs Contributed	Net OPEB Obligation (Asset)
2017	\$5,837,838	24.6%	\$23,768,259
2016	5,643,846	31.3%	19,694,421
2015	6,128,384	33.0%	15,814,575

Summary of GASB 45 Valuation Results

Actuarial Valuation Date June 30,	Annual Required Contribution	Interest on net Pension Obligation	Adjustment to Annual Required Contribution	Annual OPEB Costs	Pay as You go Payments Plus Contributions	Increase in net OPEB Obligation	End of Year net OPEB Obligation
County							
2017	\$ 5,881,875	\$ 984,721	\$ 1,028,758	\$ 5,837,838	\$ 1,360,461	\$ 4,477,377	\$ 24,171,798
2016	5,881,875	790,729	1,028,758	5,643,846	1,764,000	3,879,846	19,694,421
2015	6,128,384	591,308	769,306	5,950,386	1,961,973	3,988,413	15,814,575
Board of Education							
2017	\$ 23,985,000	\$ 3,723,000	\$ 5,656,000	\$ 22,052,000	\$ 5,775,000	\$ 16,277,000	\$ 92,213,239
2016	22,373,000	2,990,000	4,443,000	20,920,000	6,242,000	14,678,000	75,936,239
2015	24,441,000	2,229,000	3,231,000	23,439,000	6,769,608	16,669,392	61,258,239
Total							
2017	\$ 29,866,875	\$ 4,707,721	\$ 6,684,758	\$ 27,889,838	\$ 7,135,461	\$ 20,754,377	\$ 116,385,037
2016	28,254,875	3,780,729	5,471,758	26,563,846	8,006,000	18,557,846	95,630,660
2015	30,569,384	2,820,308	4,000,306	29,389,386	8,731,581	20,657,805	77,072,814

Investments

Investment policy – The pension plans policy in regard to the targeted allocation of invested assets is based on the County's investment advisors recommendations.

Asset Class	Target Allocation
U.S. equity	56.0%
International equity	19.0%
U.S. fixed income	20.0%
Private equity	5.0%
Total	100.0%

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 13.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The County's net OPEB liability, for the measurement period of June 30, 2016 to June 30, 2017, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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Total OPEB liability	\$76,101,186
Plan fiduciary net position	17,326,562
County's net OPEB liability	<u>\$58,774,624</u>

Plan fiduciary net position as a percentage of the total pension liability	22.77%
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Note: The above information was not available for the Board of Education as of June 30, 2017.

Actuarial assumptions and methods – 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.

Funding method	Entry Age Normal
Inflation rate	2.2%
Investment rate of return	5.00%
Mortality	RP-2000 combined healthy generational mortality table

Long-term rate of return – The long-term rate of return on the OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Classes</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. equity	4.20%
Small Cap U.S. equity	4.70%
Global equity	4.99%
International equity	4.79%
Emerging Markets equity	5.19%

Discount rate – The discount rate of 5.00% was selected by the County. Based on the target allocation of the trust fund and the actuarial current economic model for future investment returns, it is estimated that there is an approximately a 40% chance the fund will average more than this return and a 60% chance the fund will less than this return over the next 30 years.

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the County, calculated using the discount rate of 5.00%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00)	Current Discount Rate (5.00)	1% Increase (6.00)
Total OPEB liability	\$91,343,374	\$76,101,186	\$64,251,017
Plan fiduciary net position	(17,326,562)	(17,326,562)	(17,326,562)
County's net OPEB liability	<u>\$74,016,812</u>	<u>\$58,774,624</u>	<u>\$46,924,455</u>

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rates 8.50% decreasing to 4.50%, as well as what the County’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.50% decreasing to 3.50%) or 1-percentage-point higher (9.50% decreasing to 5.50%) than the current healthcare trend rates:

	1% Decrease (7.50% decreasing to 3.50%)	Current Discount Rate (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
Total OPEB liability	\$63,075,484	\$76,101,186	\$93,049,801
Plan fiduciary net position	(17,326,562)	(17,326,562)	(17,326,562)
County’s net OPEB liability	\$45,748,922	\$58,774,624	\$75,723,239

5. Calvert County’s Employee Retirement Savings Plan

On July 28, 1998, the Commissioners approved the formation of a single employer defined contribution pension plan with a 5% County contribution and a required 3% contribution from all eligible employees. The plan was put in place January 1, 1999. All employees hired after June 30, 1998 were automatically enrolled in the defined contribution pension plan. Required contributions and all other plan provisions are established by the County Commissioners and administered by a County-appointed Board of Trustees. The contributions by the County and the employees for the year ended June 30, 2017 were \$1,131,557 and \$832,402, respectively.

6. Maryland State Retirement and Pension System

Plan Description - The State Retirement Agency (the Agency) is the administrator of the System, a cost-sharing multiple-employer public-employee retirement system. The System was established by the State Personnel and Pension Articles of the Annotated Code of Maryland Rules and Regulations and provides retirement allowances to System members and beneficiaries. Responsibility for the administration and operation of the System is vested with a 14-member Board of Trustees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained at <http://www.sra.state.md.us> or by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by calling (800) 492-5909.

The computation of the pension contribution requirements for fiscal year 2015 was based on the same actuarial assumptions, benefits provisions, actuarial funding method and other significant factors used to determine pension contributions requirements in the previous year. Contributions by the State of Maryland on behalf of the Calvert County Public Library were \$412,030, \$378,395, and \$372,665, for the years ended June 30, 2017, 2016 and 2015. In accordance with GASB Statement Number 24, the State’s 2017 contribution amount has been shown as State aid revenue and pension expenditure.

B. Component Unit – Board of Education

Retirement and Pension System of the State of Maryland

Plan description

Plan administration - The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers’ Retirement and Pension Systems or the Employees’ Retirement and

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

Benefits provided - The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Contributions - The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the Board's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the Board. The State's contributions on behalf of

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
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the Board for the year ended June 30, 2016, was \$14,089,439. The fiscal 2016 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

Beginning in FY2017, the Board pays the normal cost for their employees in the Teachers' Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System. The Board's normal cost for the year ended June 30, 2017 was \$5,910,295. The State's contributions on behalf of the Board for the year ended June 30, 2017 was \$14,995,205. The FY2017 contribution made by the State on behalf of the Board was included as both revenue and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance and is also included as revenues and expenses in the Statement of Activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2017, was 6.73% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2017 of \$1,175,347.

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

Employees Retirement and Pension Systems - At June 30, 2017, the Board reported a liability of \$15,788,250 for its proportionate share of the net pension liability of the System. 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 Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2017, the Board's proportionate share was 0.67%.

For the year ended June 30, 2017, the Board recognized pension expense of \$2,056,405. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$-0-	\$406,186
Changes of assumptions and proportions	651,831	-0-
Change in proportion	588,376	338,575
Net difference between expected and actual earnings	1,893,636	-0-
Changes in proportionate share of contributions	302,477	-0-
Boards contribution subsequent to the measurement date	1,175,347	-0-
Total	\$4,611,667	\$744,761

\$1,175,347 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Year ended June 30:	
2018	\$(684,997)
2019	(684,998)
2020	(877,703)
2021	(527,423)
2022	83,562

Teachers Retirement and Pension Systems - At June 30, 2017, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board and the Board pays the normal cost related to the Boards members in the Teachers Retirement and Pension Systems; therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

State's proportionate share of the net pension liability	\$170,642,937
Board's proportionate share of the net pension liability	-0-
Total	\$170,642,937

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.

For the year ended June 30, 2017, the Board recognized pension expense of \$18,963,104 and revenue of \$14,089,439 for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

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

Funding method	Entry Age Normal
Inflation rate	2.7% general, 3.2% wage
Salary increases	3.3% to 9.2%, including inflation
Investment rate of return	7.55%
Mortality	RP-2014 combined healthy generational mortality table

The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, after completion of the June 30, 2014 valuations. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, and investment return assumption of 7.55% and an inflation assumption of 2.70% were used in the June 30, 2016 valuation.

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Classes</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%	

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

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

Discount rate - The single discount rate used to measure the total pension liability was 7.55%. 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 this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability - Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a single discount rate of 7.55%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

	1% Decrease (6.55)	Current Discount Rate (7.55)	1% Increase (8.55)
Boards proportionate share of the net pension liability	\$21,686,531	\$15,788,250	\$10,879,997

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the Board did not record a net pension liability related to the Teachers Retirement and Pension Systems.

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

Note 10 - Commitments and Contingent Liabilities

The Commissioners are defendants in several lawsuits. In the opinion of the County Attorney and legal counsel, pending legal proceedings are not likely to have a material adverse impact on the County's financial condition, and to the best of their knowledge, the County is in compliance with all state and local laws and ordinances.

In the decision on the case *Comptroller v. Wynne*, the US Supreme Court has ruled that Maryland's income tax system - specifically its application of county income taxes - is unconstitutional and must be altered to grant more credits for Maryland residents' out-of-state income. The tax law will allow a refund of overpayments. The State Comptroller has estimated Calvert County's liability to be about \$754,017. The County has elected to have this liability as a reduction to our income tax distribution and will begin in fiscal year 2019 through fiscal year 2024.

Note 11 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and related disasters. The County is a capital member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2017, the County paid premiums of \$855,022 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past five fiscal years.

The County procures workers' compensation coverage per Maryland Statute through Chesapeake Employers' Insurance Company. During fiscal year 2017, the County paid premiums for the coverage in the amount of \$2,190,134. In addition to coverage through LGIT and Chesapeake, the County procures numerous specialty insurance policies, which include but are not limited to Equipment Breakdown through The Hartford Steam Boiler, Hull and P&I through Navigators Insurance Company, and Fiduciary Coverage through Chubb Group.

The County is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement the insurance carrier assesses an initial charge paid by the County through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the County, up to a maximum of 5% in

CALVERT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

the current year. If the actual claims and expenses are less than the billed premium, the County would be entitled to a refund.

Note 12 - Subsequent Events

In preparing these financial statements, the management of Calvert County, Maryland has evaluated events and transactions for potential recognition or disclosure through December 29, 2017, the date the financial statements were available to be issued.

On July 18, 2017, the County issued \$24,010,000 in general obligation bonds, \$1.2 million related to the Water and Sewer enterprise fund, with interest rates varying from 2.0% to 5.0% maturing on July 1, 2032 and July 1, 2042 for the enterprise portion.

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*COUNTY COMMISSIONERS OF CALVERT COUNTY
CALVERT COUNTY, MARYLAND*

*REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017*

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
 SCHEDULE OF CHANGES IN THE COUNTY'S NET POSITION LIABILITY AND RELATED RATIOS
 Volunteer Fire and Rescue Pension Fund
 Last 4 Fiscal Years

	FY2017	FY2016	FY2015	FY2014
Total pension liability				
Service costs	\$ 128,219	\$ 111,495	\$ 122,128	\$ 63,624
Interest	559,036	558,559	528,851	508,501
Changes in benefit terms	91,320	-	-	-
Difference between expected and actual experience	1,202,456	-	302,678	37,692
Benefit payments, including refunds of member contributions	(696,595)	(665,220)	(458,050)	(425,583)
Net change in total pension liability	<u>\$ 1,284,436</u>	<u>\$ 4,834</u>	<u>\$ 495,607</u>	<u>\$ 184,234</u>
Total pension liability - beginning	<u>7,426,952</u>	<u>7,422,118</u>	<u>6,926,511</u>	<u>6,742,277</u>
Total pension liability - ending	<u>\$ 8,711,388</u>	<u>\$ 7,426,952</u>	<u>\$ 7,422,118</u>	<u>\$ 6,926,511</u>
Plan fiduciary net position				
Contributions - employer	\$ 550,000	\$ 540,000	\$ 460,000	\$ 490,000
Net investment income	533,099	(128,504)	98,868	568,708
Benefit payments, including refunds of member contributions	(696,595)	(665,220)	(458,050)	(425,583)
Administrative expense	(10,500)	(10,500)	(10,500)	-
Net change in plan fiduciary net position	<u>\$ 376,004</u>	<u>\$ (264,224)</u>	<u>\$ 90,318</u>	<u>\$ 633,125</u>
Plan fiduciary net position - beginning	<u>3,444,103</u>	<u>3,708,327</u>	<u>3,618,009</u>	<u>2,984,884</u>
Plan fiduciary net position - ending	<u>\$ 3,820,107</u>	<u>\$ 3,444,103</u>	<u>\$ 3,708,327</u>	<u>\$ 3,618,009</u>
County's net pension liability - ending	<u>\$ 4,891,281</u>	<u>\$ 3,982,849</u>	<u>\$ 3,713,791</u>	<u>\$ 3,308,502</u>
Plans fiduciary net position as a percentage of the total pension liability	43.85%	46.37%	49.96%	52.23%
Covered - employee payroll	N/A	N/A	N/A	N/A
County's net pension liability as a percentage of covered - employee payroll	N/A	N/A	N/A	N/A

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF COUNTY CONTRIBUTIONS
Volunteer Fire and Rescue Pension Fund
Last 4 Fiscal Years**

	FY2017	FY2016	FY2015	FY2014
Actuarially determined contribution	\$ 588,817	\$ 577,476	\$ 527,593	\$ 517,903
Contributions in relation to the actuarially determined contribution	550,000	540,000	460,000	490,000
Contribution deficiency (excess)	<u>\$ 38,817</u>	<u>\$ 37,476</u>	<u>\$ 67,593</u>	<u>\$ 27,903</u>
Covered - employee payroll	N/A	N/A	N/A	N/A
Contribution as a percentage of covered - employee payroll	N/A	N/A	N/A	N/A

Notes to schedule:

Valuation date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Assumed yield method with a market value adjustment
Inflation rate	2.2%
Salary increases	N/A
Cost of living increases	N/A
Investment rate of return	7.75% , net of pension plan investment expense, including inflation.
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general plan members were adjusted to more closely reflect the actual experience.
Mortality	PR-2000 combined healthy generational table.

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
Volunteer Fire and Rescue Pension Fund
Last 4 Fiscal Years

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Annual money-weighted rate of return, net of investment expense	15.99%	(3.20%)	2.65%	14.24%

Notes to the schedule:
The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
 SCHEDULE OF CHANGES IN THE COUNTY'S NET POSITION LIABILITY AND RELATED RATIOS
 Sheriff's Department Pension Plan
 Last 4 Fiscal Years

	FY2017	FY2016	FY2015	FY2014
Total pension liability				
Service costs	\$ 2,239,796	\$ 3,400,300	\$ 3,234,332	\$ 1,429,134
Interest	6,004,066	6,055,832	5,534,365	5,419,116
Changes in benefit terms	-	-	48,849	-
Difference between expected and actual experience	-	(6,405,710)	-	148,423
Benefit payments, including refunds of member contributions	(2,691,653)	(2,428,998)	(2,087,183)	(1,969,869)
Net change in total pension liability	<u>\$ 5,552,209</u>	<u>\$ 621,424</u>	<u>\$ 6,730,363</u>	<u>\$ 5,026,804</u>
Total pension liability - beginning	<u>76,552,734</u>	<u>75,931,310</u>	<u>69,200,947</u>	<u>64,174,143</u>
Total pension liability - ending	<u>\$ 82,104,943</u>	<u>\$ 76,552,734</u>	<u>\$ 75,931,310</u>	<u>\$ 69,200,947</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,200,000	\$ 3,050,000	\$ 3,060,000	\$ 2,960,000
Contributions - member	942,266	917,877	930,459	951,992
Net investment income	10,607,920	(1,058,909)	2,721,741	9,017,398
Benefit payments, including refunds of member contributions	(2,691,653)	(2,428,998)	(2,087,183)	(1,969,869)
Administrative expense	(73,277)	(21,871)	(45,506)	-
Net change in plan fiduciary net position	<u>\$ 11,985,256</u>	<u>\$ 458,099</u>	<u>\$ 4,579,511</u>	<u>\$ 10,959,521</u>
Plan fiduciary net position - beginning	<u>67,821,206</u>	<u>67,363,107</u>	<u>62,783,596</u>	<u>51,824,075</u>
Plan fiduciary net position - ending	<u>\$ 79,806,462</u>	<u>\$ 67,821,206</u>	<u>\$ 67,363,107</u>	<u>\$ 62,783,596</u>
County's net pension liability - ending	<u>\$ 2,298,481</u>	<u>\$ 8,731,528</u>	<u>\$ 8,568,203</u>	<u>\$ 6,417,351</u>
Plans fiduciary net position as a percentage of the total pension liability	97.20%	88.59%	88.72%	90.73%
Covered - employee payroll	\$ 12,035,337	\$ 11,354,092	\$ 12,111,242	\$ 11,425,700
County's net pension liability as a percentage of covered - employee payroll	19.10%	76.90%	70.75%	56.17%

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
SCHEDULE OF COUNTY CONTRIBUTIONS
 Sheriff's Department Pension Plan
 Last 4 Fiscal Years

	FY2017	FY2016	FY2015	FY2014
Actuarially determined contribution	\$ 2,721,830	\$ 3,065,888	\$ 3,028,756	\$ 2,957,525
Contributions in relation to the actuarially determined contribution	3,200,000	3,050,000	3,060,000	2,960,000
Contribution deficiency (excess)	<u>\$ (478,170)</u>	<u>\$ 15,888</u>	<u>\$ (31,244)</u>	<u>\$ (2,475)</u>
Covered - employee payroll	\$ 12,035,337	\$ 11,354,092	\$ 12,111,242	\$ 11,425,700
Contribution as a percentage of covered - employee payroll	26.59%	26.86%	25.27%	25.91%

Notes to schedule:

Valuation date: 6/30/2017

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal				
Amortization method	Level percentage of payroll, closed				
Remaining amortization period	15 years				
Asset valuation method	Assumed yield method with a market value adjustment				
Inflation rate	2.2%				
Salary increases		<u>To age 37:</u>	<u>Ages 38 to 42:</u>	<u>Ages 42 to 49:</u>	<u>After age 49:</u>
	Correctional Officers	7.25%	6.00%	5.00%	4.00%
	Deputy Sheriffs	7.25%	5.00%	5.00%	5.00%
Cost of living increases	3.00% , per year calculated on a compound interest basis.				
Investment rate of return	7.75% , net of pension plan investment expense, including inflation.				
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general plan members were adjusted to more closely reflect the actual experience.				
Mortality	RP-2000 combined healthy generational mortality table.				

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
Sheriff's Department Pension Plan
Last 4 Fiscal Years

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Annual money-weighted rate of return, net of investment expense	15.49%	(1.56%)	4.27%	13.99%

Notes to the schedule:
The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF CHANGES IN THE COUNTY'S NET POSITION LIABILITY AND RELATED RATIOS
Calvert County Employees Retirement Plan
Last 4 Fiscal Years**

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Total pension liability				
Service costs	\$ 697,192	\$ 799,446	\$ 878,256	\$ 677,466
Interest	5,935,855	5,746,021	5,577,218	5,345,363
Difference between expected and actual experience	(964,962)	(396,534)	(862,126)	(432,297)
Benefit payments, including refunds of member contributions	<u>(3,737,331)</u>	<u>(3,462,242)</u>	<u>(3,215,226)</u>	<u>(3,121,513)</u>
Net change in total pension liability	<u>\$ 1,930,754</u>	<u>\$ 2,686,691</u>	<u>\$ 2,378,122</u>	<u>\$ 2,469,019</u>
Total pension liability - beginning	<u>77,728,278</u>	<u>75,041,587</u>	<u>72,663,465</u>	<u>70,194,446</u>
Total pension liability - ending	<u>\$ 79,659,032</u>	<u>\$ 77,728,278</u>	<u>\$ 75,041,587</u>	<u>\$ 72,663,465</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,900,000	\$ 2,570,000	\$ 2,918,950	\$ 2,890,000
Contributions - member	116,704	130,509	140,745	154,037
Net investment income	9,818,496	(987,242)	2,667,157	9,406,336
Benefit payments, including refunds of member contributions	(3,737,331)	(3,462,242)	(3,215,226)	(3,121,513)
Administrative expense	<u>(33,714)</u>	<u>(82,004)</u>	<u>(55,344)</u>	<u>-</u>
Net change in plan fiduciary net position	<u>\$ 9,064,155</u>	<u>\$ (1,830,979)</u>	<u>\$ 2,456,282</u>	<u>\$ 9,328,860</u>
Plan fiduciary net position - beginning	<u>63,294,939</u>	<u>65,125,918</u>	<u>62,669,636</u>	<u>53,340,776</u>
Plan fiduciary net position - ending	<u>\$ 72,359,094</u>	<u>\$ 63,294,939</u>	<u>\$ 65,125,918</u>	<u>\$ 62,669,636</u>
County's net pension liability - ending	<u>\$ 7,299,938</u>	<u>\$ 14,433,339</u>	<u>\$ 9,915,669</u>	<u>\$ 9,993,829</u>
Plans fiduciary net position as a percentage of the total pension liability	90.84%	81.43%	86.79%	86.25%
Covered - employee payroll	\$ 5,883,409	\$ 6,010,496	\$ 6,871,888	\$ 7,078,232
County's net pension liability as a percentage of covered - employee payroll	124.08%	240.14%	144.29%	141.19%

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF COUNTY CONTRIBUTIONS
Calvert County Employees Retirement Plan
Last 4 Fiscal Years**

	FY2017	FY2016	FY2015	FY2014
Actuarially determined contribution	\$ 2,410,212	\$ 2,468,741	\$ 2,593,069	\$ 2,712,733
Contributions in relation to the actuarially determined contribution	2,900,000	2,570,000	2,918,950	2,890,000
Contribution deficiency (excess)	<u>\$ (489,788)</u>	<u>\$ (101,259)</u>	<u>\$ (325,881)</u>	<u>\$ (177,267)</u>
Covered - employee payroll	\$ 5,883,409	\$ 6,010,496	\$ 6,871,888	\$ 7,078,232
Contribution as a percentage of covered - employee payroll	49.29%	42.76%	42.48%	40.83%

Notes to schedule

Valuation date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Assumed yield method with a market value adjustment
Inflation rate	2.2%
Salary increases	6.00% , under age 46
Salary increases	5.00% , over age 46
Cost of living increases	3.00% , per year calculated on a compound interest basis.
Investment rate of return	7.75% , net of pension plan investment expense, including inflation.
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general plan members were adjusted to more closely reflect the actual experience.
Mortality	RP-2000 combined healthy generational mortality table.

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

Schedule of Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
Calvert County Employees Retirement Plan
Last 4 Fiscal Years

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Annual money-weighted rate of return, net of investment expense	15.61%	(1.54%)	4.27%	20.16%

Notes to the schedule:
The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS
Calvert County Maryland Post-Employment Benefit Plan
Last Fiscal Year**

	<u>FY2017</u>
Total OPEB liability	
Service costs	\$ 2,358,717
Interest	984,721
Changes in benefit terms	-
Difference between expected and actual experience	-
Benefit payments, including refunds of member contributions	-
Net change in total OPEB liability	<u>\$ 3,343,438</u>
Total OPEB liability - beginning	<u>72,757,748</u>
Total OPEB liability - ending	<u>\$ 76,101,186</u>
 Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - member	-
Net investment income	2,408,736
Benefit payments, including refunds of member contributions	-
Administrative expense	(156,887)
Net change in plan fiduciary net position	<u>\$ 2,251,849</u>
Plan fiduciary net position - beginning	<u>15,074,713</u>
Plan fiduciary net position - ending	<u>\$ 17,326,562</u>
 County's net pension liability - ending	<u>\$ 58,774,624</u>
 Plans fiduciary net position as a percentage of the total OPEB liability	22.77%
 Covered - employee payroll	\$ 50,268,558
 County's net OPEB liability as a percentage of covered - employee payroll	116.92%

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF COUNTY CONTRIBUTIONS
Calvert County Maryland Post-Employment Benefit Plan
Last Fiscal Year**

	<u>FY2017</u>
Actuarially determined contribution	\$ 5,881,875
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	<u>\$ 5,881,875</u>
Covered - employee payroll	\$ 50,268,558
Contribution as a percentage of covered - employee payroll	0.00%

Notes to schedule

Valuation date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Assumed yield method with a market value adjustment
Inflation rate	2.2%
Investment rate of return	5.00%
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general plan members were adjusted to more closely reflect the actual experience.
Mortality	RP-2000 combined healthy generational mortality table.

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**Schedule of Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
Calvert County Maryland Post-Employment Benefit Plan
Last Fiscal Year**

FY2017

Annual money-weighted rate of return,
net of investment expense

15.61%

Notes to the schedule:

The prior year information is not available.

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
CALVERT COUNTY MARYLAND POST-EMPLOYMENT BENEFIT PLAN
OTHER POST EMPLOYMENT BENEFITS SCHEDULES
YEAR ENDED JUNE 30, 2017**

A. Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
County						
2017	\$ 14,992,808	\$ 63,971,657	\$ 48,978,849	23.44%	\$ 50,268,558	97.43%
2016	14,992,808	63,971,657	48,978,849	23.44%	48,570,671	100.84%
2015	13,875,050	65,381,130	51,506,080	21.22%	46,890,265	109.84%
2014	13,875,050	65,381,130	51,506,080	21.22%	46,890,265	109.84%
2013	4,337,978	36,717,748	32,379,770	11.81%	45,606,128	71.00%
2012	4,337,978	36,717,748	32,379,770	11.81%	46,040,730	70.33%
2011	1,199,877	30,562,690	29,362,813	3.93%	45,509,178	64.52%
2010	1,199,877	30,562,690	29,362,813	3.93%	45,551,004	64.46%
2009	-	25,690,319	25,690,319	0.00%	44,955,301	57.15%
Board of Education						
2017	\$ 43,362,000	\$ 230,850,000	\$ 187,488,000	18.78%	\$ 127,500,000	147.05%
2016	40,337,000	216,142,000	175,805,000	18.66%	126,297,309	139.20%
2015	18,519,000	230,571,000	212,052,000	8.03%	128,500,000	165.02%
2014	18,519,000	230,571,000	212,052,000	8.03%	128,500,000	165.02%
2013	17,226,681	139,625,512	122,398,831	12.34%	127,857,500	95.73%
2012	17,226,681	139,625,512	122,398,831	12.34%	128,597,253	95.18%
2011	3,522,381	99,455,289	95,932,908	3.54%	129,758,359	73.93%
2010	3,522,381	99,455,289	95,932,908	3.54%	127,698,903	75.12%
2009	-	78,032,239	78,032,239	0.00%	126,633,344	61.62%
Total						
2017	\$ 58,354,808	\$ 294,821,657	\$ 236,466,849	19.79%	\$ 177,768,558	133.02%
2016	55,329,808	280,113,657	224,783,849	19.75%	174,867,980	128.54%
2015	32,394,050	295,952,130	263,558,080	10.95%	175,390,265	150.27%
2014	32,394,050	295,952,130	263,558,080	10.95%	175,390,265	150.27%
2013	21,564,659	176,343,260	154,778,601	12.23%	173,463,628	89.23%
2012	21,564,659	176,343,260	154,778,601	12.23%	174,637,983	88.63%
2011	4,722,258	130,017,979	125,295,721	3.63%	175,267,537	71.49%
2010	4,722,258	130,017,979	125,295,721	3.63%	173,249,907	72.32%
2009	-	103,722,558	103,722,558	0.00%	171,588,645	60.45%

COUNTY COMMISSIONERS OF CALVERT COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
CALVERT COUNTY MARYLAND POST-EMPLOYMENT BENEFIT PLAN
OTHER POST EMPLOYMENT BENEFITS SCHEDULES
YEAR ENDED JUNE 30, 2017

B. Schedule of Employer Contributions

	Annual Required Contribution	Pay as You go Payments Plus Contributions	% Contributed	Net OPEB Obligation
<i>Year ended June 30, 2017</i>				
County	\$ 5,881,875	\$ 1,360,461	23.13%	\$ 24,171,798
Board of Education	22,052,000	5,775,000	26.19%	92,213,239
	<u>\$ 27,933,875</u>	<u>\$ 7,135,461</u>	25.54%	<u>\$ 116,385,037</u>
<i>Year ended June 30, 2016:</i>				
County	\$ 5,881,875	\$ 1,764,000	29.99%	\$ 19,694,421
Board of Education	20,920,000	6,242,000	29.84%	75,936,239
	<u>\$ 26,801,875</u>	<u>\$ 8,006,000</u>	29.87%	<u>\$ 95,630,660</u>
<i>Year ended June 30, 2015:</i>				
County	\$ 6,128,384	\$ 1,961,973	32.01%	\$ 15,814,575
Board of Education	24,441,000	7,771,608	31.80%	61,258,239
	<u>\$ 30,569,384</u>	<u>\$ 9,733,581</u>	31.84%	<u>\$ 77,072,814</u>
<i>Year ended June 30, 2014:</i>				
County	\$ 6,128,384	\$ 1,645,070	26.84%	\$ 11,826,162
Board of Education	23,136,000	4,576,000	19.78%	44,588,847
	<u>\$ 29,264,384</u>	<u>\$ 6,221,070</u>	21.26%	<u>\$ 56,415,009</u>
<i>Year ended June 30, 2013:</i>				
County	\$ 3,996,491	\$ 1,602,471	40.10%	\$ 7,455,056
Board of Education	14,359,874	7,216,423	50.25%	26,028,847
	<u>\$ 18,356,365</u>	<u>\$ 8,818,894</u>	48.04%	<u>\$ 33,483,903</u>
<i>Year ended June 30, 2012:</i>				
County	\$ 3,996,491	\$ 3,442,226	86.13%	\$ 5,118,030
Board of Education	14,359,874	13,826,883	96.29%	19,099,113
	<u>\$ 18,356,365</u>	<u>\$ 17,269,109</u>	94.08%	<u>\$ 24,217,143</u>
<i>Year ended June 30, 2011:</i>				
County	\$ 3,641,418	\$ 2,621,100	71.98%	\$ 4,615,160
Board of Education	11,319,105	5,664,604	50.04%	18,776,224
	<u>\$ 14,960,523</u>	<u>\$ 8,285,704</u>	55.38%	<u>\$ 23,391,384</u>
<i>Year ended June 30, 2010:</i>				
County	\$ 3,641,418	\$ 1,594,299	43.78%	\$ 3,467,809
Board of Education	11,319,105	4,918,693	43.45%	12,746,349
	<u>\$ 14,960,523</u>	<u>\$ 6,512,992</u>	43.53%	<u>\$ 16,214,158</u>
<i>Year ended June 30, 2009:</i>				
County	\$ 3,109,164	\$ 2,284,452	73.47%	\$ 1,435,892
Board of Education	9,127,324	6,799,986	74.50%	6,413,838
	<u>\$ 12,236,488</u>	<u>\$ 9,084,438</u>	74.24%	<u>\$ 7,849,730</u>

Draft Approving Opinion of Bond Counsel
(Letterhead of McGuireWoods LLP)

[Closing Date]

County Commissioners of Calvert County
Courthouse
175 Main Street
Prince Frederick, Maryland 20678

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by County Commissioners of Calvert County, a body politic and corporate and a political subdivision of the State of Maryland (the "County"), of its \$_____ Consolidated Public Improvement Bonds, 2018 Series (the "Bonds"), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on each January 1 and July 1, beginning January 1, 2019 until maturity or earlier redemption; fully registered in form in the denomination of \$5,000 each or any integral multiple thereof; issued under the provisions of Chapter 236 of the Laws of Maryland of 2001, Chapter 597 of the Laws of Maryland of 2007, Chapter 135 of the Laws of Maryland of 2010, Chapter 56 of the Laws of Maryland of 2013, Chapter 43 of the Laws of Maryland of 2014, Chapter 27 of the Laws of Maryland of 2015, Chapter 182 of the Laws of Maryland of 2016 and Chapter 117 of the Laws of Maryland of 2018 (collectively, the "Acts"); authorized to be issued and awarded by Resolutions adopted by the Board of County Commissioners of Calvert County on June 5, 2018 and July 24, 2018, respectively (collectively, the "Resolutions"); and maturing, subject to prior redemption, on July 1 in each of the years and in the amounts, and bearing interest at such rates, as set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly existing body politic and corporate of the State of Maryland, possessing the authority under the Acts to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, including the Acts, and the Resolutions.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolutions, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax.

In rendering the opinion expressed above in paragraph (e), we have assumed continuing compliance with the covenants and agreements set forth in the Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County, which covenants and agreements are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. Failure by the County to comply with such covenants and agreements could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their issue date.

(f) Under existing law of the State of Maryland, the interest on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

NOTICE OF SALE
\$26,565,000*
COUNTY COMMISSIONERS OF CALVERT COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, 2018 SERIES

Electronic Bids via **PARITY®** will be received for the above-captioned issue of general obligation bonds (the “Bonds”) of County Commissioners of Calvert County (the “County”) by the Director of Finance and Budget of the County, 1st Floor, Courthouse, 175 Main Street, Prince Frederick, Maryland 20678, until 11:00 o’clock a.m. local time on Tuesday,

July 24, 2018.

Dated Date and Interest Payment Dates. The Bonds will be dated their date of initial delivery. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2019, until maturity or prior redemption.

Principal Amounts and Principal Payment Dates. The Bonds will be issued in serial form in the aggregate principal amount of \$26,565,000* and will mature on July 1 in the following years and in the following principal amounts:

<u>Year of Maturity</u>	<u>Principal Amount*</u>	<u>Year of Maturity</u>	<u>Principal Amount*</u>
2019	\$1,220,000	2032.....	\$2,270,000
2020	1,270,000	2033.....	2,340,000
2021	1,320,000	2034.....	50,000
2022	1,385,000	2035.....	50,000
2023	1,460,000	2036.....	50,000
2024	1,535,000	2037.....	55,000
2025	1,615,000	2038.....	55,000
2026	1,700,000	2039.....	55,000
2027	1,785,000	2040.....	60,000
2028	1,875,000	2041.....	60,000
2029	1,975,000	2042.....	65,000
2030	2,070,000	2043.....	65,000
2031	2,180,000		

Adjustments. The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to reduction by the County after the receipt of bids for their purchase. The final aggregate principal amount and maturity schedule for the Bonds will be communicated to the successful bidder by 5:00 p.m. local time on the date of sale and will not reduce the aggregate principal amount of the Bonds by more than the premium bid by the successful bidder. The dollar amount bid for principal by the successful bidder will be adjusted to reflect any reduction in the aggregate principal amount of the bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

General Obligations. The Bonds will be the unconditional general obligation of the County and will be issued upon its full faith and credit, which will be irrevocably pledged to the prompt payment of the principal of and interest on all of the Bonds as the same become due.

*Preliminary, subject to change.

Book-Entry Form; Payment. The Bonds will be issued in book-entry form by issuing a single bond for each maturity registered in the name of Cede & Co. as nominee for The Depository Trust Company or its successor (“DTC”) and immobilized in its custody under DTC’s “FAST” system (provided that if DTC so requests or if DTC is replaced as the depository for the Bonds, replacement bonds will be issued in the denominations of \$5,000 or any integral multiples thereof). Principal of the Bonds will be payable at maturity to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The principal of the Bonds will be payable at the designated office of Manufacturers and Traders Trust Company, Buffalo, New York (the “Bond Registrar”), upon presentation and surrender of the Bonds. Payment of interest on the Bonds shall be made by the Bond Registrar on each interest payment date to the person appearing on the registration books of the County maintained by the Bond Registrar as the registered owner thereof, by check or draft mailed to each such registered owner at the address appearing on such registration books on the record date for the Bonds, which shall be the fifteenth day of the month next preceding each interest payment date. Notwithstanding the foregoing, while the Bonds are registered under DTC’s book-entry only system, payment of the principal of and interest on the Bonds shall be made by the Bond Registrar to DTC or its nominee in accordance with the procedures of DTC.

Authorization and Use of Proceeds. The issuance of the Bonds is authorized by Chapter 236 of the Laws of Maryland of 2001, Chapter 597 of the Laws of Maryland of 2007, Chapter 135 of the Laws of Maryland of 2010, Chapter 56 of the Laws of Maryland of 2013, Chapter 43 of the Laws of Maryland of 2014, Chapter 27 of the Laws of Maryland of 2015, Chapter 182 of the Laws of Maryland of 2016 and Chapter 117 of the Laws of Maryland of 2018. The proceeds of the Bonds will be applied (a) to finance all or a portion of the costs associated with the acquisition, alteration, construction, reconstruction, enlargement, equipping, expansion, extension, improvement, rehabilitation, renovation, upgrading, repair and development of (1) Fire, Rescue and EMS Building and Apparatus, (2) the Public Safety 800 MHz System, (3) Prince Frederick Loop Road, (4) Countywide paving projects, (5) Northern High School Replacement, (6) Prince Frederick Sewer Line Replacement, (7) Dowell Road Wastewater Pump Station Improvements, (8) the Detention Center, (9) Ward Farm Recreation and (10) the Linda L. Kelley Animal Shelter and (b) to pay all costs, fees and expenses, including advertising, printing, financial advisory and legal fees, incurred in the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on or before July 1, 2028 are not subject to redemption prior to their maturities. The Bonds maturing on or after July 1, 2029 shall be subject to redemption prior to their respective maturities, at the option of the County, at any time on or after July 1, 2028, either as a whole or in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate or rates stated in the Bonds to be redeemed. The procedures for redemption of the Bonds, including the requirements for giving notice of such redemption, are described in the Preliminary Official Statement (hereinafter defined) and are incorporated herein by reference.

TERMS OF SALE

Electronic Bids. Electronic bids will be received via **PARITY®** pursuant to this Notice of Sale until 11:00 a.m. local time on the date of sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY®**, potential bidders may contact **PARITY®** at (212) 849-5021. Bidders may only submit bids electronically via **PARITY®**.

Each prospective bidder shall be solely responsible to submit its bids via **PARITY®** as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the County nor **PARITY®** shall be responsible for proper operation of, or have any liability for delays or interruptions of, or any damages caused by, **PARITY®**. The County is using **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 **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid parameters set forth herein. All costs and expenses incurred by prospective bidders in connection with their submissions of bids via **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, such bidder should telephone **PARITY®** at (212) 849-5021 and notify the County's Financial Advisor, Davenport & Company LLC, by facsimile at (866) 932-6660 and by telephone at (410) 296-9426.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:00 a.m. local time, on July 24, 2018. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the 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 **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 and the time for submitting sealed bids, the time as maintained on **PARITY®** shall constitute the official time.*

Designation of Term Bonds. Bidders may designate in their bid two or more consecutive serial maturities beginning no earlier than July 1, 2034 and in any year thereafter as a term bond which matures on the maturity date of the last serial maturity of the sequence. The stated maturity date for any term bond so designated may not be earlier than July 1, 2035. More than one such sequence of serial maturities may be designated as a term bond. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.

Bidding Constraints. Each bidder shall submit one bid via **PARITY®** on an "all-or-none" basis. Each bid must specify the rate or rates of interest to be paid on the Bonds, in multiples of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%). Bidders may specify more than one rate of interest to be borne by the Bonds, but all Bonds maturing on the same date must bear interest at the same rate. Bidders may not specify (1) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3.00%, (2) any interest rate that exceeds 5.00%, or (3) a zero rate of interest. Bidders are requested to specify the true interest cost (computed in accordance with the terms of this Notice of Sale) in their bids for the Bonds. A bid for the purchase of the Bonds at a price of less than 100% of par or more than 115% of par, or a bid for the Bonds that specifies split or supplemental interest rates, will not be considered. The County will also not consider and will reject any bid for the purchase of less than all of the Bonds. All bids must be unconditional.

By submitting a bid for the Bonds, the bidder agrees, if it is the successful bidder for the Bonds, (1) to provide full and complete pricing information with respect to the Bonds to the County in a timely manner so that the County may fulfill its obligation relating to the delivery of the Official Statement to the purchaser of the Bonds within seven business days following the award, including, without limitation, the offering price(s), interest rate(s), selling compensation, delivery dates and other similar information; (2) to comply with the requirements of SEC Rule 15c2-12 ("Rule 15c2-12"), applicable federal and state securities laws and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB") in connection with the offer and sale of the Bonds; and (3) within three business days after the final Official Statement becomes available, to cause copies thereof to be filed with the MSRB.

Good Faith Deposit. A good faith deposit (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of \$500,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the "Deposit Deadline") on the date of sale or (ii) a financial surety bond (a "Surety Bond") from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of \$500,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

Award of Bonds. The County will not consider and will reject any bid for the purchase of less than all of the Bonds. THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS AND TO WAIVE ANY IRREGULARITY OR NON-CONFORMITY IN ANY BID. Bids will be opened promptly after 11:00 o'clock a.m. local time (as determined in accordance with the time as maintained on **PARITY**®) on July 24, 2018. The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest interest rate to the County. The lowest interest rate shall be determined in accordance with the true interest cost (TIC) method 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 price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders. The judgment of the County 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.

Establishment of Issue Price. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's financial advisor identified herein and any notice or report to be provided to the County may be provided to the County's financial advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which

maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the County determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) 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 (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) 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),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Postponement of Sale; Change in Bidding Constraints. The County reserves the right to postpone, from time to time, the date or time established for the receipt of the bids or to change the bidding constraints on the Bonds. Any such postponement or change in bidding constraints will be announced on TM3 News Service by notice given not later than 1:00 p.m. local 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 on 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. On any such alternative sale date, any bidder may submit an electronic bid via **PARITY®** 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 on TM3 News Service at or before the time the sale date and time are announced.

Bond Insurance. 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 notify promptly the Director of Finance and Budget of the County at the time of sale of such event and shall provide him 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 the Bonds 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 issuer of the bond insurance policy with any other documents or opinions relating to the Bonds. Neither the failure of the Bonds to be insured by such bond insurance policy nor any change in the ratings provided by any rating agency with respect to the issuer of such bond insurance policy occurring between the time of the award of the Bonds and the time the Bonds are delivered shall relieve the successful bidder of its contractual obligation to purchase the Bonds.

Legal Opinion. The issuance of the Bonds will be subject to delivery of the approving opinion of McGuireWoods LLP, Baltimore, Maryland, and copies of their opinion shall be substantially in the form set forth in the Preliminary Official Statement (hereinafter defined). The opinion will be delivered, without charge, to the successful bidder for the Bonds.

CUSIP Numbers. It is anticipated that the CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Delivery of Bonds. The Bonds will be delivered on August 7, 2018, or as soon as practicable thereafter, at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the deposit theretofore made. Payment for the Bonds shall be made in federal funds. The Bonds will be issued by means of book-entry system with no physical distribution of bond certificates made to the public. The successful bidder for the Bonds, as a condition to delivery of the Bonds of such issue, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its partnership nominee.

If the County advises the bidders that the bid for the Bonds constitutes a Qualified Competitive Bid, the winning 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 in substantially the form set forth in Exhibit A-1 to this Notice of Sale, with appropriate completions, amendments and attachments.

If the County advises the bidders that the bid for the Bonds constitutes a Nonqualified Competitive Bid, the winning bidder shall be required to provide to the County information and assurances to establish the initial sale prices or the initial offering prices, 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 Exhibit A-2 to this Notice of Sale, with appropriate completions, omissions and attachments.

Closing Documents. 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 against the County affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such successful bidder shall be furnished a certificate or certificates of the President of the Board and the Director of Finance and Budget of the County to the effect that, to the best of their knowledge and belief, the Official Statement (hereinafter defined) (and any amendment or supplement thereto) (except for information relating to DTC and its book-entry system and any information furnished by the successful bidder, 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 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).

Preliminary Official Statement. The Preliminary Official Statement of the County concerning the Bonds (the "Preliminary Official Statement") has been "deemed final" by the County as of its date for purposes of Rule 15c2-12 but is subject to revision, amendment and completion in the final Official Statement.

Official Statement. As soon as practicable after the award of the Bonds to the successful bidder therefor on the day of sale, the County will authorize the final Official Statement for the Bonds (the "Official Statement"). By submitting its bid for the Bonds, the successful bidder agrees to provide the County with pricing information and such other information as the County may require in order that the County may provide the successful bidder with a final Official Statement in compliance with Rule 15c2-12. Whether or not any such information is included in the Official Statement (and any amendment or supplement thereto), such successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any re-offering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds to the successful bidder, the County will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement. The successful bidder will also be furnished, without cost, with up to 150 copies of the Official Statement and any amendments or supplements thereto. The successful bidder may obtain additional copies at the successful bidder's own expense.

The County will undertake to provide the successful bidder with further additional information to be included in the Official Statement, when in the opinion of the County or of Bond Counsel, such additional information constitutes a material change to the Official Statement. The County will take such steps as are necessary to arrange for amending and supplementing the Official Statement in connection with the disclosure of such additional information; provided, however, that the County shall have no obligation to provide such additional information after the date which is 25 days after the "end of the underwriting period," as such term is defined in Rule 15c2-12.

Continuing Disclosure Agreement. In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which the County 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.

Additional Information. The Preliminary Official Statement of County Commissioners of Calvert County, Maryland, concerning the Bonds and copies of this Notice of Sale may be obtained from Timothy Hayden, Director of Finance and Budget, Courthouse, 175 Main Street, Prince Frederick, Maryland 20678, or from the County's Financial Advisor, Davenport & Company LLC, 8600 LaSalle Road, The Oxford Building, Suite 618, Towson, Maryland 21286 (410-296-9426).

COUNTY COMMISSIONERS OF
CALVERT COUNTY

By: Evan K. Slaughenhaupt Jr.
President of the Board
of County Commissioners

\$ _____
**County Commissioners of Calvert County
Consolidated Public Improvement Bonds, 2018 Series**

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), 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 the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means County Commissioners of Calvert County.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds 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 of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (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 Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion 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 it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: _____

Title: _____

Dated: _____, 2018

SCHEDULE A
Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

\$ _____
County Commissioners of Calvert County
Consolidated Public Improvement Bonds, 2018 Series

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (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 C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it 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 Offering Period for such Maturity, nor would it permit a related party to do so (the “hold-the-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-price rule. Pursuant to such agreement, no Underwriter has offered nor sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) ***10% Maturities*** means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”

(b) ***Issuer*** means County Commissioners of Calvert County.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Offering Period*** means, with respect to an Undersold 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 ([_____, 2018]), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) ***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.

(f) ***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 _____, 2018.

(g) ***Substantial Amount*** means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (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 Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as
Purchaser
By: _____
Title: _____

Dated: _____, 2018

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire