

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



CAROLINE COUNTY, MARYLAND

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

YEAR ENDED JUNE 30, 2012

**Prepared by:
Caroline County Office of Finance,
Caroline County Tax Office and
Ken Decker, County Administrator**

CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	1
Letter of transmittal	2-8
Certificate of Achievement for Excellence in Financial Reporting	9
Certain elected and appointed officials	10
Organization chart	11
Budget calendar	12
FINANCIAL SECTION	13
Independent auditor's report	14-15
Management's discussion and analysis	16-30
Basic financial statements:	
Government-wide statements:	
Statement of net assets	31
Statement of activities	32-33
Governmental fund financial statements:	
Balance sheet	34
Reconciliation of total governmental fund balance to net assets of governmental activities	35
Statement of revenues, expenditures and changes in fund balance	36
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	37
Proprietary fund financial statements:	
Statement of net assets	38
Statement of revenues, expenses and changes in fund net assets	39
Statement of cash flows	40
Fiduciary fund financial statements:	
Statement of fiduciary net assets	41
Statement of changes in fiduciary net assets	42
Component units:	
Combining statement of net assets	43
Combining statement of activities	44
Notes to financial statements	45-85
Required supplementary information:	86
Budgetary comparison schedule – general fund	87-91
Budgetary comparison schedule – special revenue grants fund	92
Schedule of funding progress – Caroline County, Maryland Employees' Pension Plan	93
Schedule of employer contributions – Caroline County, Maryland Employees' Pension Plan	94
Other Postemployment Benefit Plan - Funding Progress and Schedule of Employer Contributions	95
Notes to the Required Supplementary Information	96

FINANCIAL SECTION (continued)

Other supplementary information:	97
Combining balance sheet – other governmental funds	98-101
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds	102-105
Combining statement of fiduciary net assets – agency funds	106
Combining statement of changes in assets and liabilities – agency funds	107-109
Combining statement of net assets – other proprietary funds	110
Combining statement of revenues, expenses and changes in fund net assets – other proprietary funds	111
Combining statement of cash flows – other proprietary funds	112
Budgetary comparison schedule – capital improvements fund	113
Budgetary comparison schedule – capital reserve fund	114
Budgetary comparison schedule – educational facilities fund	115
Budgetary comparison schedule – special revenue funds	116-119
Revenue and expenditure detail – Highway users	120
Expenditure detail – contingency fund – actual vs. budget	121

STATISTICAL SECTION

Statistical section index	122
<u>Schedule</u>	123
1 Net assets by component	124
2 Changes in net assets	125-127
3 Fund balances of governmental funds	128
4 Revenues, expenditures and changes in fund balance – governmental funds	129-130
5 Property tax rates direct and overlapping governments	131
6 Assessed and estimated value of taxable property	132
7 Real property tax levies and collections	133
8 Ten largest principal taxpayers	134
9 Ratio of outstanding debt by type	135
10 Ratio of general bonded debt outstanding	136
11 Ratio of annual debt service to total government expenditures	137
12 Computation of direct and overlapping general obligation bonded debt	138
13 Demographic statistics	139
14 Major employers in Caroline County	140
15 Deposits of all FDIC-insured institutions operating in Caroline County	141
16 Building permit statistics	142
17 Caroline County government employees by function/program	143
18 Capital asset statistics	144
19 Miscellaneous statistics	145



INTRODUCTORY SECTION

COUNTY COMMISSIONERS *of* CAROLINE COUNTY, MARYLAND

LARRY C. PORTER
PRESIDENT

JEFFERSON L. GHRIST
MEMBER

WILBUR LEVENGOOD JR.
VICE PRESIDENT

SARA B. VISINTAINER
CHIEF OF STAFF

KEN DECKER
COUNTY ADMINISTRATOR

ERNEST A. CROFOOT
COUNTY ATTORNEY

October 24, 2012

LETTER OF TRANSMITTAL

TO THE
COUNTY COMMISSIONERS OF
CAROLINE COUNTY, MARYLAND,
AND COUNTY RESIDENTS

Introduction

The *Comprehensive Annual Financial Report of Caroline County, Maryland, for the Fiscal Year ended June 30, 2012*, is hereby submitted in accordance with state and local law. These laws require that Caroline County issue a report of its financial position and activity annually and that this report be audited by an independent firm of licensed certified public accountants selected by the County Commissioners. Management is responsible for both the accuracy of the data and the completeness and reliability of all of the information presented in this report.

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 Caroline County Government and its component units. All disclosures necessary to enable the reader to gain an understanding of Caroline County's financial activities are included.

The management of local government entities is responsible for establishing and maintaining an internal control structure designed to ensure that government assets are adequately protected from loss, theft or misuse and to ensure that accurate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement.

Caroline County Government's financial statements have been audited by TGM Group, LLC Independent Certified Public Accountants. The independent audit involved examining 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 *unqualified opinion that*

Courthouse
Telephone 410.479.0660

109 Market Street, Rm. 123
www.carollnemd.org

Denton, Maryland 21629
Facsimile 410.479.4060

the financial statements for Caroline County Government for the fiscal year ended June 30, 2012, are presented fairly and in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

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

Caroline County Government Profile

Caroline County was created in 1774 by Maryland's last colonial governor from portions of Dorchester and Queen Anne's Counties. Caroline County has a Code Home Rule form of government, operating under Article 25B of the Annotated Code of Maryland. The County is governed by a three-member Board of County Commissioners, one of whom serves as President. All three County Commissioners are elected at-large and serve a four-year term. Both the executive and legislative functions of County government are vested in the County Commissioners. The County Commissioners may only exercise such powers as are conferred by the Maryland General Assembly, including authorization to issue debt to finance capital projects. The County Commissioners are empowered to levy a property tax on both the real and personal properties within its boundaries.

There are ten incorporated municipalities in Caroline County: Denton, Federalsburg, Goldsboro, Greensboro, Henderson, Hillsboro, Marydel, Preston, Ridgely, and Templeville. These incorporated municipalities are chartered local governments under Maryland law and are served by elected representatives. While Caroline County maintains positive relationships with the ten municipal governments, they are separate legal, corporate and financial entities.

Caroline County is located on Maryland's Eastern Shore, situated midway between Maryland's northern and southern borders, and the Chesapeake Bay and the Atlantic Ocean. It shares the historic Mason Dixon line with Delaware on its eastern border. It is bordered on the north by Queen Anne's County, on the west by Talbot County and on the south by Dorchester County. The County is 321 square miles in area and is approximately 10 miles wide at its midsection and 28 miles long. Denton is the County seat and principal town, with a population of 4,418 according to the 2010 Census. Denton is located 61 miles east from Baltimore, and 75 miles east of Washington, D.C. A major east-west roadway is Maryland Route 404, which connects with U.S. Route 50, U.S. Route 13, and is also served by U.S. Route 301. Caroline County is in the Atlantic Coastal Plain and its land area includes level terrain with streams and rivers flowing into the Chesapeake Bay.

The County is rural in character, with vegetable, grain and poultry farming as major industries. The County is part of a federally recognized "Ag Preservation Corridor" on the Delmarva

Peninsula, and land preservation efforts are well under way to preserve the land-based resources in this increasingly unique area. In an effort to increase economic stability and job availability, Caroline County has had some success in diversifying its economic base. Three industrial parks, predominantly occupied by manufacturing businesses, have resulted from that effort.

Caroline County serves a population of 33,072 (updated 2010 Census) with a full range of governmental services including public safety (police, corrections, emergency medical services, emergency management/911, and volunteer fire protection), construction and maintenance of roads, solid waste collection sites, health and social services, culture/recreation, public 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 Statement. The entities that meet these criteria are, Caroline County Board of Education and Caroline County Public Library. Additional information on these component units can be found in Note 1A.

County Budget Process

The annual budget serves as the foundation for Caroline County's financial planning and control. By March, the County Commissioners—acting as the County Board of Estimates—prepare revenue estimates for the coming fiscal year. All departments and agencies of the County are required to submit a budget allocation request to the Office of Finance by April of each year.

In practice, the budget process starts earlier. The Office of Finance provides routine reporting of revenues and expenditures throughout the fiscal year. This information provides ongoing feedback and direction on the adopted budget. From the beginning of the calendar year, the management team and key representatives from the allied agencies work collaboratively to prepare a sustainable, integrated operating and capital budget. The County Commissioners are directly involved in providing guidance with regard to policy objectives and priorities. The budget building process is open, transparent, iterative and team-oriented.

Two advertised public budget hearings are held. One public hearing is held in April to hear budget allocation requests, and a final public hearing is held in May on the proposed operating budget, capital program, and, as required by state law, on the proposed constant yield property tax rate.

The County Commissioners are required to adopt a budget and real property tax rate for the succeeding fiscal year by June 30 annually, the close of the County's fiscal year. A flow chart of the budget process and calendar is included within this report, as listed in the table of contents.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is viewed from the broader perspective of the economic environment within Caroline County.

Local Economy

Caroline County continues to endure the long-term downturn in the regional and national economies. While the County remains a highly desirable place to live and work, a moribund housing market, high unemployment and weak consumer demand are indicative of the ongoing economic slump.

Despite historic lows in mortgage interest rates, the housing market shows few signs of recovery. Building permit activity remains far below normal levels. The median sales price of a residential home has fallen from a peak of almost \$250,000 in 2007 to under \$120,000 in the second quarter of 2012.

The unemployment rate in Caroline County has dipped slightly from 8.9 percent last year to 8.6 percent this year. With the completion of a new store in Denton, Wal-Mart will become one of the largest local private employers.

The County's employment base includes agriculture, manufacturing, construction, transportation, government, and services sectors. About 60 percent of working residents commute to work locations outside the County, primarily to Talbot County (Easton) and the Annapolis/Baltimore/Washington area or into Delaware. Before the recession, the demand for housing in Caroline County was strong due to affordability and manageable commuting distances. This pressure for development has subsided with the downturn in the economy. Future growth hinges on the regional economy and factors such as fuel prices that influence commuting patterns.

Despite modest gains in the employment rate and the increased affordability of local housing, Caroline continues to rank among Maryland's poorest counties. Median household income was nearly \$59,000 according to the 2010 Census, considerably less than the Maryland median income of over \$70,000. The poverty rate in Caroline County is about 11.5 percent.

Long Term Financial Planning

The County Commissioners' six-year capital program is a tool for long-term financial planning to meet major needs. Pursuant to the County Code, the County Administrator presents the six-year capital projects plan to the County Commissioners annually in February. The County Commissioners hold public hearings regarding the capital program and adopt the first year as the capital budget for the coming fiscal year.

After the virtual elimination of Maryland State Highway User Revenues five years ago, the County greatly reduced capital spending as reflected in the approved budgets. The Caroline County Commissioners recognize the significant issue of deferred maintenance, particularly with regard to roads, bridges, vehicles and equipment. The Commissioners further recognize the need to address the condition of aging public buildings, including local schools, and that a sustainable capital improvement plan will require structural changes in the budget. In FY 12 the Commissioners used \$770,000 of capital reserve money for roads resurfacing and some other

high priority capital projects. The bulk of this funding resulted from a school renovation project coming in under budget and lower than anticipated maintenance expenses due to a mild winter.

Caroline County has an adopted policy to maintain a general (unassigned) fund balance of five percent of total budget expenditures. This fund balance is set aside for exigent circumstances like an emergency or natural disaster. The County has not had occasion to use these funds in the past fiscal year. In the event they are needed, the fund must be replenished within two years. As of June 30, 2012, unassigned fund balance exceeded 5% of 2012 general fund budgeted expenditures.

The most significant challenges to Maryland's local governments are the decisions by the Maryland State Legislature to shift costs and to impose new unfunded mandates. For example, during the 2012 General Session, the Legislature approved a measure shifting half the cost of teacher pensions to local governments. This will represent a new cost of \$1.2 million in FY 14 and will increase in subsequent years.

The Maryland Departments of Environment and Planning continued to press a large number of new environmental regulations. The Watershed Improvement Plan (WIP) for Caroline County has an estimated cost of \$168 million. This single unfunded mandate represents a potential cost of almost \$13,000 for every household in the County. The Legislature also passed laws limiting future residential development on private wells and septic systems. New requirements for fire suppression sprinkler systems in new homes and installation of "best available technology" (BAT) septic systems also will increase the cost of an average new home on well and septic by more than \$25,000.

One of the most important aspects of Caroline County's long-term financial planning is assessing the cumulative impacts of the new laws and regulations on development. The County lacks extensive public water and sewer systems. Regulations greatly increasing the cost of homes on private wells and septic systems are likely to hurt the local housing market as local residents find housing in nearby Delaware to be more affordable.

Over half of County residents already commute outside of the County to work. The limited availability of public water and sewer hamper potential economic development as does the County's lagging transportation infrastructure. The State of Maryland's failure to replace Dover Bridge and widen MD 404 makes Caroline County less attractive for new businesses. Even if there is a robust economic recovery in the region, it is likely Caroline County will lag behind due to the disproportionate impact of new regulations on rural, agricultural areas.

Local Fiscal Philosophy

In the midst of a very difficult economic and regulatory environment, the Caroline County Commissioners have established and maintained a philosophy of fiscal conservatism. While the Commissioners remain opposed to increases in existing taxes, they did impose the "constant yield" property tax rate for FY 13—an increase of two cents raising the County property tax rate to 89 cents per \$100 of assessed value. Because of a one-year "disparity grant" provided by the State of Maryland, the impact of teacher pensions on the County's budget was relatively small during the first year of the transition. This state grant is unlikely to continue. Absent major cuts to the relatively small range of discretionary services provided by the County, the Commissioners will be forced to fund the \$1.2 million in FY 14 teacher pension responsibility with an increase in taxes.

While the County continued to operate on an austerity budget, the Commissioners moved ahead with changes designed to lower the County's unfunded liability position. The Commissioners adopted policy changes to reduce the financial impact related to the end-of-career sale of unused sick leave.

The Commissioners remain strongly supportive of increased efficiency in service delivery. County government has continued to provide a high level of service despite reductions in funding and staff. During the past year, the Commissioners have reduced the size of County government. For the fourth consecutive year, there were no increases in pay granted to County employees. While the County made a substantial expenditure investment in some deferred maintenance line items, this one-time allocation fell short of the annual investment needed for true fiscal sustainability.

The Commissioners fully appreciate the gravity of the County's financial situation and are strongly committed to fiscally responsible governance.

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 Caroline County, Maryland for its comprehensive annual financial report (CAFR) for each fiscal year since June 30, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County publishes an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards.

A Certificate of Achievement is valid for a period of one year only. Caroline County, Maryland received its eighth Certificate of Achievement last year. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated staff of the Caroline County Office of Finance, Caroline County Tax Office, and the Office of the County Commissioners. Special recognition is given to Margaret Roe and Catherine Moore for their effort in providing outstanding financial acumen, timely reporting and keen analysis. I am deeply appreciative for the fiscal prudence of the County's allied agencies, including, but not limited to, the Caroline County Board of Education. The

County's department heads deserve recognition for maintaining positive staff morale and delivering results in the most challenging financial climate since the Great Depression of the 1930s. Finally, delivering this report is only possible through the continued leadership, courage and commitment of the Caroline County Commissioners.

Fortes fortuna adiuvat.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ken Decker', with a stylized, cursive script.

Ken Decker
Caroline County Administrator

The executive offices of Caroline County are located at the Caroline County Courthouse, 109 Market Street, Room 123, Denton, Maryland 21629. The County's central telephone number is 410.479.0660.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The County Commissioners
of Caroline County, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



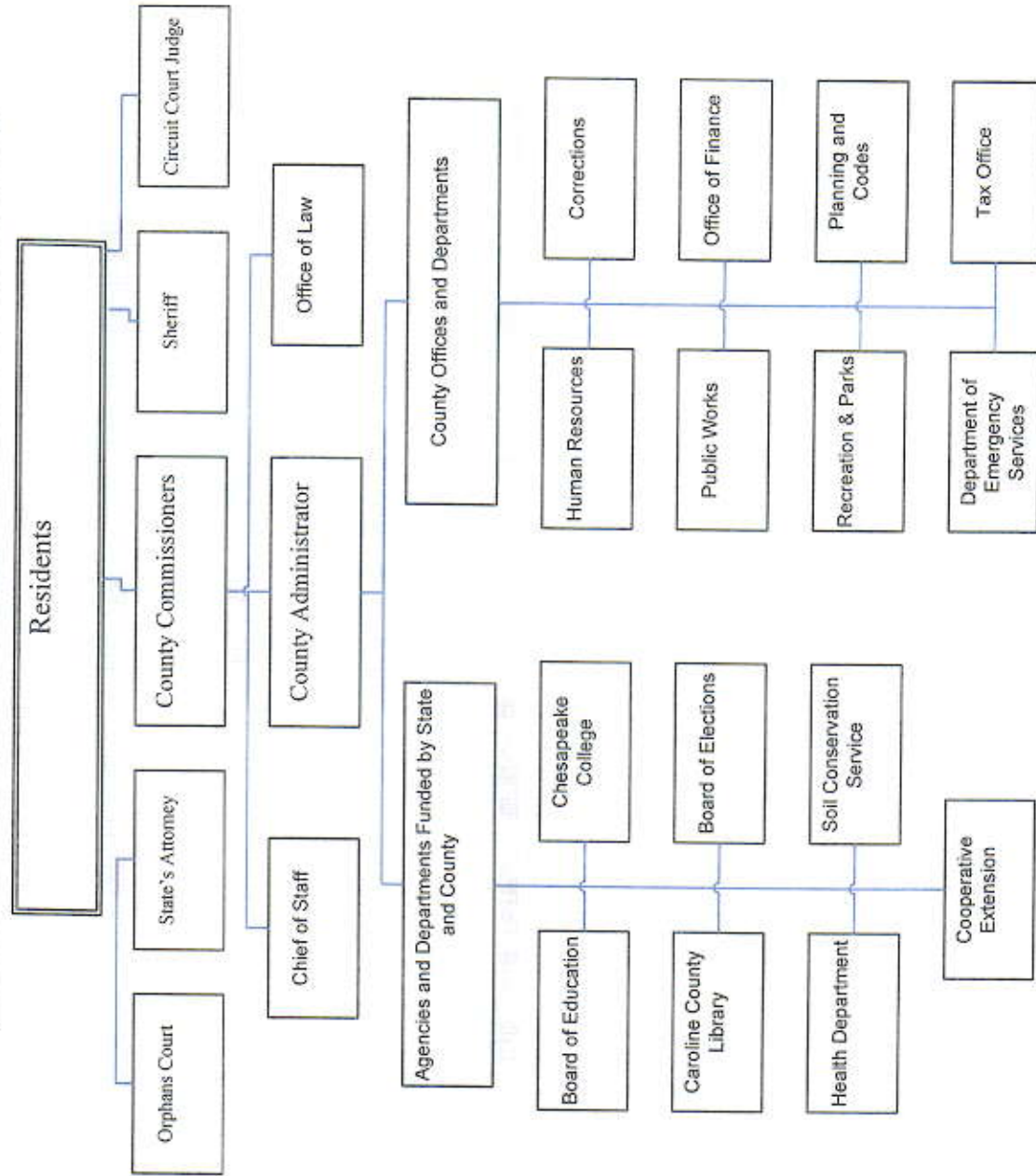
Linda C. Davison

President

Jeffrey R. Emmer

Executive Director

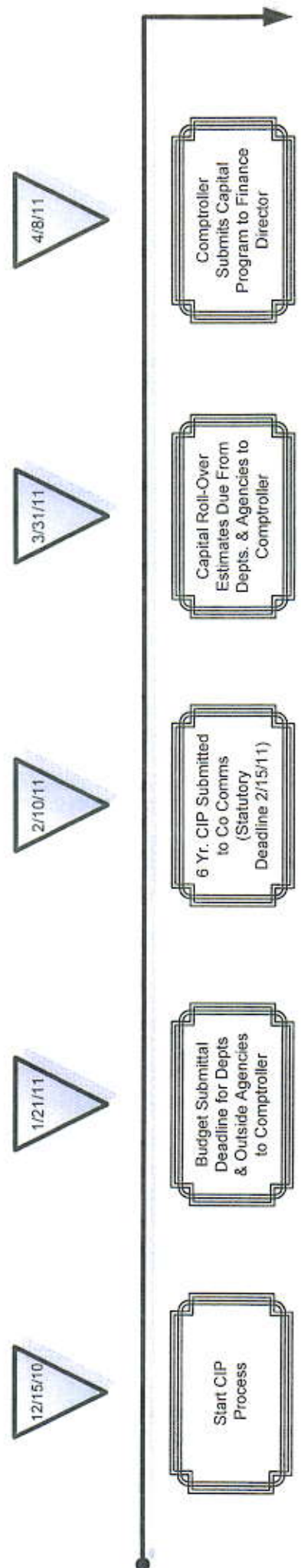
CAROLINE COUNTY GOVERNMENT ORGANIZATIONAL CHART



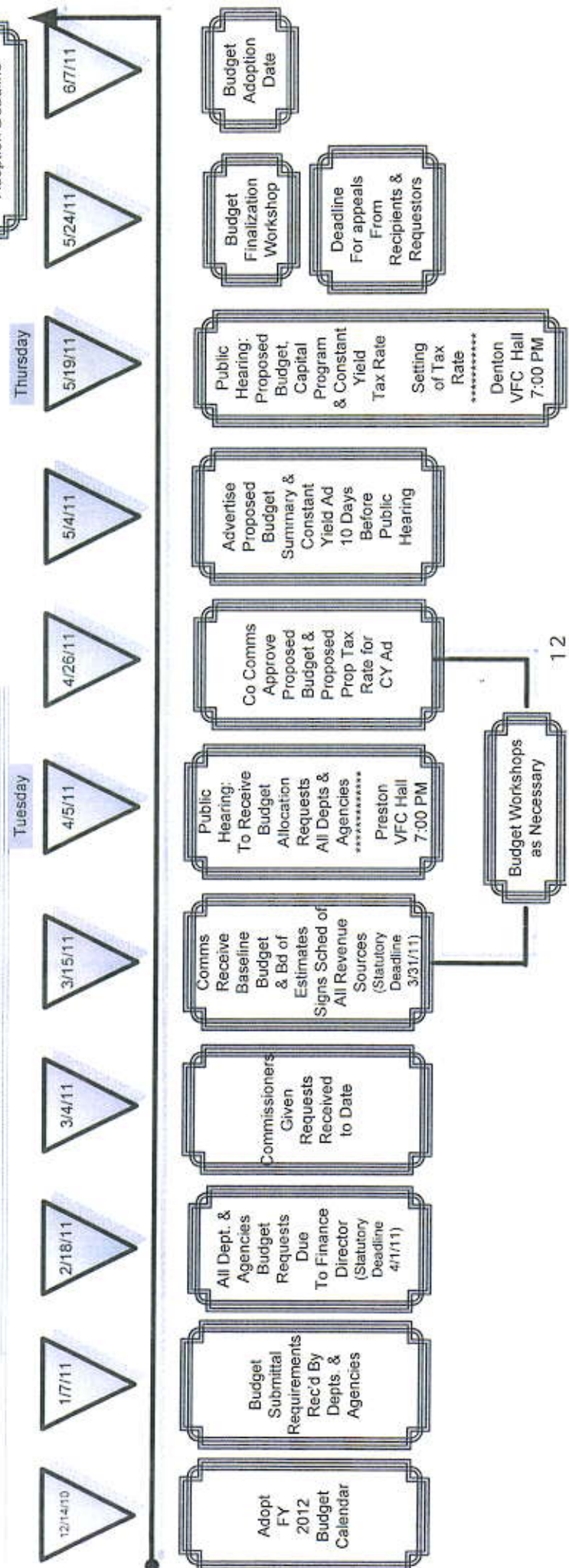
Agencies and departments shown in gray boxes are not under the control or supervision of the county commissioners but are partially or wholly funded by county appropriation either under state law or at the discretion of the Commissioners.

FY 2012 BUDGET CALENDAR CAROLINE COUNTY, MARYLAND

Capital Improvement Budget



General Fund Budget





FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The County Commissioners of
Caroline County
Denton, Maryland

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 Caroline County, Maryland (the "County") as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dayspring Townhomes. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dayspring Townhomes is based on the reports of the other auditor.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditor, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.



Salisbury, Maryland
October 24, 2012

Executive Summary
Management Discussion and Analysis
Caroline County Government, FY 12 Financial Audit

"This MD&A section of the financial report should be brief and objective and should be easily readable by an average reader, one not possessing a detailed knowledge of accounting." Government Accounting Standards Board, Statement 34

The financial condition of Caroline County government is not readily apparent to local residents. Since the economic downturn in 2007, citizens have received much the same level of County services despite the prolonged economic downturn, severe cuts in state funding to local governments, and the substantial decreases in property and income tax revenues. The shrinking of the County budget (cutting expenditures from \$47.4 million in FY 07 to \$41.4 million in FY 12) has occurred largely through deferring infrastructure maintenance and capital expenditures.

In FY 12, the County managed a modest reversal of this trend by investing \$1.2 million in infrastructure and capital. These funds generally came from nonrecurring sources like a major school renovation coming in under budget and a remarkably mild winter. While the County made some progress on roadway maintenance, the linear miles of tar-and-chip retreatment fell short of that required to maintain an optimal once-per-seven-year cycle. A small number of vehicles were replaced but the cumulative shortfall in fleet-wide vehicle and equipment replacement reached \$2.25 million.

On the revenue side, property and income tax revenues remained substantially lower than historic highs. The County's property tax rate was increased to the "constant yield" level. To explain, an increase of two cents was necessary to maintain property tax revenues at the level of the prior fiscal year. The Commissioners contemplated a larger (five cent) property tax increase; however, they chose to honor a commitment to only increase taxes enough to cover the cost of teacher pensions. Because of a one-year "disparity grant" provided by the State, the first-year cost of teacher pensions was substantially less than anticipated. The management team recommended an increase in the County's income tax to achieve better balance between property and income tax revenue streams. The Commissioners considered this request, but declined to make any change.

On the expenditure side, the County continued to operate under an austerity budget. For the fourth consecutive year, County employees did not receive a pay increase. One fulltime position was eliminated; another was replaced with a half position. The County absorbed a 25 percent increase in the required contribution for the employees' pension plan, a cost of over \$250,000. Caroline County is one of two counties in the state where an employee contribution is not required to participate in the defined

benefit pension plan. During FY 12, the County Commissioners approved changes to reduce the unfunded liability related to unused sick leave. This includes allocating \$65,000 per year to pay down existing sick leave balances.

No new debt was issued; however, the Commissioners made commitments to two major capital projects: the renovation of Preston Elementary School and the construction of the Allied Health/Gymnasium project at Chesapeake College. While the Commissioners voted against the Allied Health/Gymnasium project, a majority of Midshore counties voted to approve it. Under state law, the County is obligated to fund the project.

During FY 12, Caroline County maintained an unassigned fund balance of over five percent of total budgeted general fund expenditures—a “rainy day” fund intended to provide funds in the event of an emergency or natural disaster. As noted, some one-time events temporarily increased the fund balance. After careful deliberation, the Commissioners voted to use the balance in excess of the minimum required reserve on priority capital and infrastructure projects.

The County continued its strong support of allied agencies. This includes funding “maintenance of effort” for the local Board of Education. The County believes the allied agencies are well managed and prudent with regard to fiscal management. During FY 12, the most significant budget over expenditure occurred in the Caroline County Board of Elections.

During the 2012 legislative session, there were several major actions impacting local government finances, most notably the shift in responsibility for funding teacher pensions to the counties. In FY 14, the County anticipates having to pay the full amount for teacher pensions, approximately \$1.2 million in the first year and an increasing amount thereafter.

Despite the adverse fiscal climate, the State of Maryland continued to press unfunded mandates including the Watershed Implementation Plan (WIP) initiative. This regulatory scheme represents a potential cost of \$168 million for Caroline County, a cost of over \$13,000 per household. The State also passed new laws and implemented regulations which stand to greatly limit the potential for rural development, particularly residential housing on private wells and septic systems. This may have long-term negative impacts on the County economic development.

While local residents have not experienced significant tax increases or reductions in services, the County’s roads, vehicles and buildings continue to age. The County made some progress in addressing this shortfall in FY 12, however, the financial challenges of deferred maintenance and capital investment remain daunting.

Management's Discussion and Analysis

This narrative section of the Comprehensive Annual Financial Report of Caroline County, Maryland presents an overview and analysis of the financial activities of Caroline County's Government for the fiscal year ended June 30, 2012. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

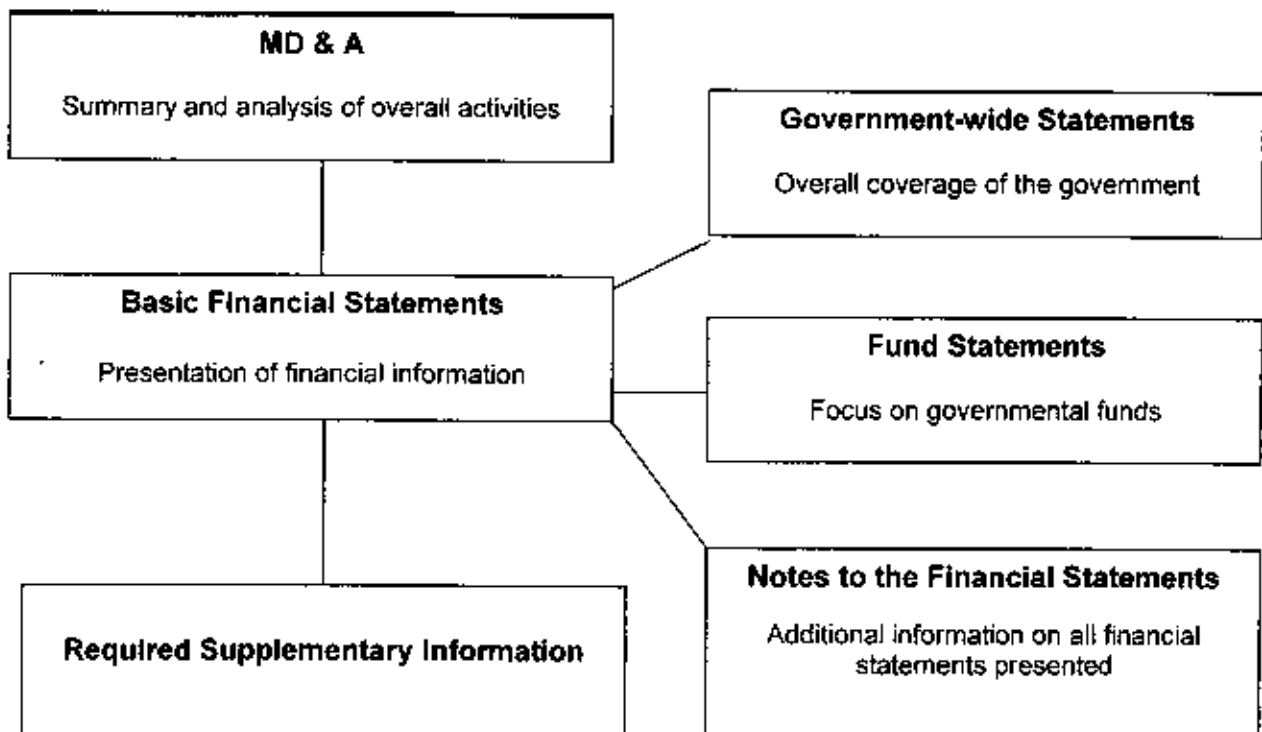
Financial Highlights

- Total fund balance for the General Fund was \$3,738,944 at June 30, 2012.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$ 30,598,939 (net assets). Of total net assets, \$6,972,914 (unrestricted net assets) may be used to meet the County's ongoing obligations to its citizens and creditors.
- The primary government's total net assets decreased by \$472,269 compared with the prior year. The primary government includes Caroline County Government, but excludes Caroline County Board of Education and the Caroline County Public Library, which are component units. The County is responsible for the fiscal support of component units' projects, but does not hold possession of the assets.
- As of June 30, 2012, the County's governmental funds reported combined fund balances of \$7.5 million, a decrease of \$1.6 million from the prior year. Approximately \$3.5 million is available to meet the County's current and future needs (unassigned fund balance). The remaining \$4 million has not been budgeted for use in the FY 2013 budget.
- Unassigned fund balance for the General Fund was \$3,542,706 for the year ended June 30, 2012.
- Long-term Liabilities include approximately \$ 30.8 million in bonds payable, approximately \$ 3.5 million in loans and notes payable, and landfill closure costs of approximately \$ 2.4 million.

Overview of the Financial Statements

This discussion and analysis offers an introduction to the County's basic financial statements. Caroline County's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

Financial Statement Presentation



Government-wide financial statements (Reporting on the County as a whole)

The government-wide financial statements provide a broad overview of Caroline County Government's finances. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or declining.

The Statement of Activities presents information regarding changes in the County's net assets during the most recent fiscal year. Changes in net assets are reported as soon as the event creating the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (including enterprise activities). The governmental activities of the County include general government, public safety, detention center, planning, codes enforcement, education, highway and street maintenance, health, parks and recreation. The enterprise activities of the County include Emergency Medical Services, Recreation and Parks, Public Works enterprise fund, and Broadband.

The government-wide financial statements include not only the operations of Caroline County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Caroline County, Maryland and the Board of Library Trustees for Caroline County, Maryland. The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide statements can be found within this report, as listed in the table of contents.

Fund financial statements (Reporting the County's Most Significant Funds)

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of 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 affects 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.

Caroline County Government maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund

Balances for the General Fund, the Capital Improvements Fund, Capital Reserve Fund, and the Special Grants Fund, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found within this report, as listed in the table of contents.

Proprietary funds – Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Caroline County does not maintain any internal service funds. The County uses enterprise funds to account for its recreational programs, Public Works charges for services, Basic Life Support function, and Broadband.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The Recreation Program and Public Works funds are combined while the Basic Life Support and Broadband Supply funds are considered major funds and presented separately. The basic proprietary fund financial statements can be found within this report, as listed in the table of contents.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs managed directly by the County Commissioners and their staff.

Fiduciary funds include four fund types –benefit trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any private-purpose trusts or investment trust funds. The County maintains nine agency funds: State Property Tax Fund, Town Property Tax Fund, Hotel Rental Tax, Tax Sale Proceeds Fund, Inmate Account, Confiscated Properties Fund, Bay Restoration Fund, Public Drainage Association and Home Builder Guaranty Fund. The Fireman's Association Fund (LOSAP), the Retiree Health Care Fund, the Employees' Pension Plan and OPEB Trust Funds are benefit trust funds. The fiduciary fund financial statements can be found within this report, as listed in the table of contents.

Notes to the financial statements. The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within this report, as listed in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and disclosures that are not considered a part of the basic financial statements. Schedules included in this section are: 1) budgetary comparison for the both the General Fund and Special Revenue Grants Fund to demonstrate compliance with the annually adopted budget, and 2) schedules showing the County's progress in funding its obligation to provide pension benefits to its employees. These reports are located immediately following the notes to the financial statements, as listed in the table of contents.

Government-wide Financial Analysis

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

A summary of government-wide assets, liabilities, and net assets is as follows:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$14,060,559	\$16,552,149	\$1,102,861	\$931,451	\$15,163,220	\$17,483,600
Capital assets, net of depreciation	57,741,696	59,571,383	345,023	335,514	58,086,719	59,906,897
Total assets	71,802,255	76,123,532	1,447,684	1,266,965	73,249,939	77,390,497
Noncurrent liabilities	40,825,902	44,083,544	-	-	40,825,902	44,083,544
Other liabilities	1,328,634	1,638,647	496,464	597,098	1,825,098	2,235,745
Total liabilities	42,154,536	45,722,191	496,464	597,098	42,651,000	46,319,289
Net assets:						
Invested in capital assets, net of related debt	22,018,273	22,611,390	345,023	335,514	22,363,296	22,946,904
Restricted	1,262,729	1,276,394	-	-	1,262,729	1,276,394
Unrestricted	6,366,717	6,513,557	606,197	334,353	6,972,914	6,847,910
Total net assets	\$29,647,719	\$30,401,341	\$951,220	\$669,867	\$30,598,939	\$31,071,208

Net assets may serve over time as a useful indicator of a government's financial position. In Caroline County, assets exceeded liabilities by approximately \$30.6 million at the close of the most recent fiscal year, which is a decrease of \$0.5 million from the previous year.

By far, the largest portion of Caroline County's net assets, approximately \$22.3 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; so these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

An additional \$1.3 million of the County's net assets are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets of \$6.9 million may be used to meet the County's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, Caroline County is able to report positive balances in all three categories of net assets for the government.

Changes in Net Assets

The following table indicates changes in net assets for governmental and business-type activities for the last two fiscal years:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$1,687,133	\$1,770,873	\$2,572,036	\$2,220,506	\$4,259,169	\$3,991,379
Operating grants	2,698,940	3,630,076	552,407	585,950	3,251,347	4,216,025
Capital grants	936,037	890,235	0	0	936,037	890,235
General revenues:						
Property taxes	23,932,023	23,892,084	0	0	23,932,023	23,892,084
Other taxes	12,489,087	12,323,263	0	0	12,489,087	12,323,263
Operating grants (Unrestricted)	2,486,371	2,131,782	0	0	2,486,371	2,131,782
Other	20,076	(60,536)	0	0	20,076	(60,536)
Total Revenues	44,249,667	44,577,776	3,124,443	2,806,456	47,374,110	47,384,232
Program Expenses:						
General Government	6,845,879	5,628,953	0	0	6,845,879	5,628,953
Public Safety	13,214,384	13,031,198	0	0	13,214,384	13,031,198
Public Works	4,573,494	4,908,094	0	0	4,573,494	4,908,094
Health	456,265	621,859	0	0	456,265	621,859
Social Services	133,412	1,267,129	0	0	133,412	1,267,129
Primary Education	14,109,214	13,498,500	0	0	14,109,214	13,498,500
Secondary Education	1,434,573	1,413,551	0	0	1,434,573	1,413,551
Recreation and Culture	1,172,538	1,153,486	0	0	1,172,538	1,153,486
Library	1,111,050	1,100,000	0	0	1,111,050	1,100,000
Conservation of Natural Res.	336,609	765,874	0	0	336,609	765,874
Economic Development	1,172,532	357,460	0	0	1,172,532	357,460
Public Housing	0	315,255	0	0	0	315,255
Interest On Long-Term Debt	1,118,515	1,435,458	0	0	1,118,515	1,435,458
Other	0	0	2,167,914	2,006,464	2,167,914	2,006,464
Total Expenses	45,678,465	45,496,817	2,167,914	2,006,464	47,846,379	47,503,281
Excess (Deficiency) before transfers	(1,428,798)	(919,041)	956,529	799,992	(472,269)	(119,049)
Net Transfers in (out)	675,176	3,975,947	(675,176)	(3,975,947)	0	0
Change In Net Assets	(753,622)	3,056,906	281,353	(3,175,955)	(472,269)	(119,409)
Net Assets - Beginning of Year	30,401,341	27,344,435	669,867	3,845,822	31,071,208	31,190,257
Net Assets - Ending	29,647,719	30,401,341	951,220	669,867	30,598,939	31,071,208

Governmental activities shows a decrease of \$753,622. Business-type activities showed an increase in net assets of \$281,353.

Governmental activities. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions. This also identifies the amount each function draws from the general revenue, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Property taxes increased by approximately \$40 thousand during FY 2012. This increase is less than the previous year's \$.6 million increase. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the middle District, as assessed by the State of Maryland Department of Assessments and Taxation.

The local economy began to retract during FY 2008 and this trend has continued into FY 2012. FY 2012 continued unemployment and a declining real estate market have continued to erode revenues. Property taxes remained level despite the declining real estate market because although property assessments decreased the differential for the towns decreased by 5 cents.

The County Homestead credit is 5%, so primary residences have reduced assessments but not reduced taxes, therefore helping to maintain stable property tax revenue. As assessments reflect the decline in real estate value, an adverse affect on future property tax revenue will occur.

Business-type activities. The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee programs, the County would have to cut approximately 50% of the recreation programs currently offered to citizens. Recreation and Parks had a loss of \$ 47,457 in FY 2012 compared to an excess in FY 2011 of \$73,895.

The Emergency Medical Services (EMS) Fund or Basic Life Support (BLS) Fund was established to collect fees from patients of the system through insurance billing. The fees collected support both paid County EMS personnel and certified volunteers who provide services through a shared arrangement. Revenue collected through charges for services increased by \$256,595 from FY 2011 to FY 2012. Expenses of the programs increased \$14,233.

The Public Works Fuel Fund was established to separately account for fuel sales to 28 different departments and outside agencies including municipalities and State agencies, such as the Maryland State Police and the Department of Natural Resources. The purpose is to buy fuel in bulk at a less expensive rate; thereby saving fuel costs of the cooperating agencies. The 24-hour self-fueling facility allows convenience and centralized billing for fuel purchased; reducing down time and increases cross-governmental efficiencies. The fund generated an operating profit of \$48,858 an increase of \$13,696 compared to FY2011.

Combined business-type activities generated \$956,529 in net operating revenues over expenses, with \$675,176 transferred to governmental activities. This resulted in net assets increasing by \$281,353 from FY 2011.

Financial analysis of the County's Funds

Caroline County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$7.5 million. Approximately \$3.5 million of the total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved, indicating that it is not available for new spending because it has already been committed: 1) to liquidate contracts, purchase orders and capital commitments of the prior period; 2) as a revenue source for the FY 2013 budget; and 3) for contingencies.

The General Fund is the primary fund of the Caroline County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.5 million, while total fund balance was \$3.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned General Fund balance and total General Fund balance to total General Fund expenditures

Fund balance of the General Fund increased from the previous year. The key factors are as follows:

- Revenues exceeded expenditures by \$ 627,956 in FY 2012.
- The ending fund balance was \$3,738,944
- Property tax revenue remained stable.
- Income tax increased \$460,473 from FY 2011.

In the FY 2012 budget, the Caroline County Commissioners took the following actions:

- Employees again did not receive merit or COLA raise. This combination puts a great burden on county staff.
- Departments were budgeted at flat or reduced budget compared to the FY 2011 budget.
- The County no longer is providing free trash collection sites for County residents. This action resulted in a convenience fee of \$100 per year for collection site drop off and a change in the town differential rates of 5 cents for town residents with municipal trash collection.

Fund balance of the capital improvement fund decreased by \$1,645,503. This reflected the yearly depreciation of assets without the ability to replace and repair current assets such as roads, buildings, vehicles and other items. It also reflected the decrease in the 2009 bond money for CRHS without an offsetting increase in asset as the school buildings are owned by the local Board of Ed.

Capital Reserve fund balance decreased by \$491,748. The \$450,000 anticipated to be used for debt payment was not needed so the Commissioners approved using \$700,000 of capital reserve for road resurfacing and some other needed capital projects.

Post employee benefits fund was established as a trust fund in FY 2009. There was no contribution for FY 2012. While this is not the commitment level desired by the County there were no available funds to contribute.

Proprietary funds. Caroline County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Total net assets increased from \$669,867 in 2011 to \$951,220 in FY 2012.

General Fund Budgetary Highlights

There were some differences between the original budget and the final amended budget. Some points of interest:

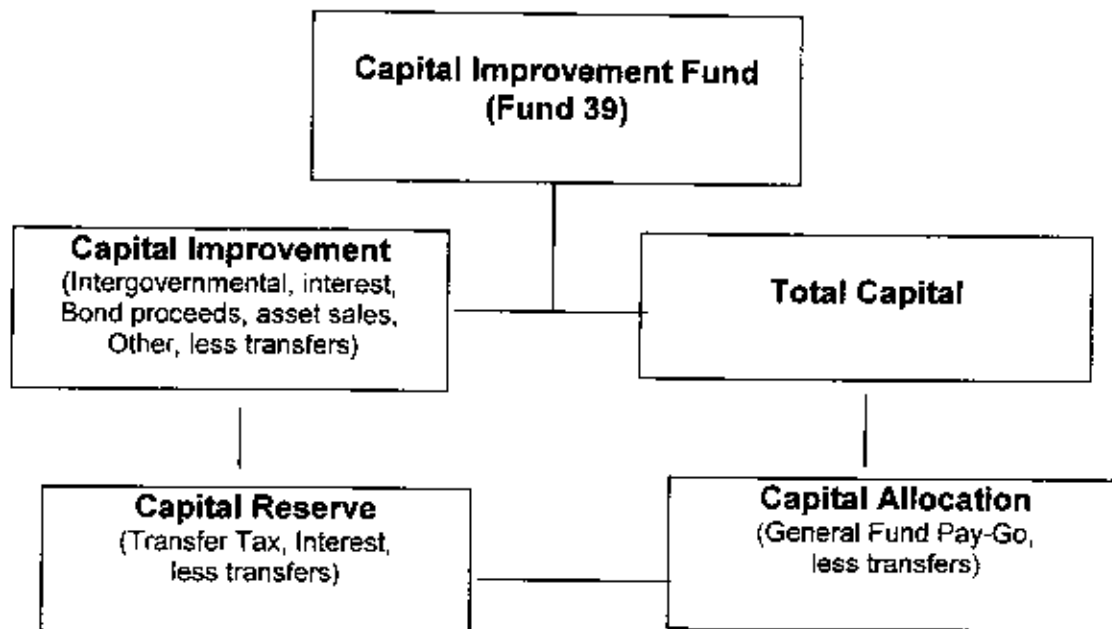
- Some Revenue sources did not meet projections.
- Income Tax exceeded expectation.
- Several departments spent less than the amount budgeted for their operation.
- The budget was designed to not use Fund Balance.
- Capital Reserve was budgeted to be used to offset debt but was not needed

Increases in fund balance are not expected in the near future due to the continuing uncertainty of the economy. The FY 2013 budget is not projected to use any fund balance, requiring departments to remain within budgeted amounts. Revenue projections are still extremely uncertain due to the slow economic recovery from recession. The shifting of the State Teachers Pensions to the Counties has begun and while, for Caroline County, FY 13 has an offsetting grant, the FY14-FY16 shift will require either a drastic cut in spending or an increase in revenue.

It is impossible for the management to accurately predict how the State will further address its structural deficit.

Capital Improvement Fund Highlights

The following diagram depicts the Capital Fund structure utilized by Caroline County, with the related revenue sources:



Caroline County develops a six-year Capital Improvement Program, with the current year being formally adopted as a budget. The difference between budgeted amounts and actual amounts may vary greatly, since much of the actual expenditures depend upon the timing of intergovernmental revenues (such as grants, program open space, state funding, state Waterway Improvement Funding, and other federal grant programs). Many of these grants are unpredictable, causing wide revenue differences between actual and budgeted amounts.

A second issue regarding capital budgeting is the timing of the expenditures. Expenditures may span several years for large construction projects to be completed. There is an inherent amount of unpredictability in developing the cost estimates for these capital projects, resulting in yearly differences. Overall economic conditions significantly affect these costs.

The Capital Reserve Fund depends upon transfer taxes and interest earned as its only revenue sources. The transfer tax is budgeted based upon estimated collections from transfers of properties. Transfer tax revenue declined from \$874,821 in FY 2007 to \$304,602 in FY 2012. By law, the Reserve fund balance cannot go below \$750,000. As of June 30, 2012, the balance was \$1,304,662. The Caroline County Commissioners passed legislation that in a financial emergency the fund balance can be reduced under the \$750,000.

Capital Asset and Debt Administration

Capital Assets. The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$58.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County’s investment in capital assets for the current fiscal year decreased slightly due to depreciation of assets. The Commissioners while not in a position to fund the capital projects necessary to keep the Counties assets in good condition were able to use unspent capital reserve money to fund some road resurfacing and some other much needed projects.

Capital asset activities are summarized as follows, net of accumulated depreciation:

Capital Assets, Net of Depreciation	Governmental Activities		Business-Types Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Land Improvements	\$12,913,511	\$13,095,598	\$0	\$ 0	\$12,913,511	\$13,095,598
Non-depreciable infrastructure	17,052,974	17,052,974	0	0	17,052,974	17,052,974
Construction in progress	255,683	1,730,429	0	0	255,683	1,730,429
Infrastructure	7,833,930	6,052,911	0	0	7,833,930	6,052,911
Buildings	12,248,014	12,991,921	345,023	335,514	12,593,037	13,327,435
Improvements	2,157,930	2,320,517	0	0	2,157,930	2,320,517
General capital assets	1,336,225	1,575,403	0	0	1,336,225	1,575,403
Vehicles	207,172	287,423	0	0	207,172	287,423
Machinery and equipment	3,736,257	4,464,207	0	0	3,736,257	4,464,207
Total	\$57,741,696	\$58,405,552	\$345,023	\$335,514	58,086,719	\$59,906,897

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

Long-term debt. At the end of the current fiscal year, the County had capital loans, conditional loans and bonds outstanding in the amount of \$34 million, which are backed by the full faith and credit of the County.

**Caroline County's Outstanding Debt
General Obligation Bonds**

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$30,875,000	0	\$30,875,000

During the current fiscal year, the County's general obligation debt decreased by \$ 3.1 million.

The County has a rating of "A3" from Moody's Investment Service and maintained an "A" rating from Standard & Poor's.

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

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County was 8.6% in June 2012. The State's average was 7.2%.¹
- Real property tax revenue and all revenues are uncertain due to national and state economic characteristics resulting from the recession.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2013.

County employees received no pay scale increase.

The State of Maryland budget problems have increased, and a deficit is projected going into FY 2013. It is uncertain how this will ultimately affect Caroline County. The shift of teacher's pensions to the local government in each county will commence in FY 13. While it does not have a negative impact in FY 13, there is an offsetting grant; the FY 14 thru FY 16 shift will present serious challenges in balancing our budgets. The State passed down 90% of the assessment cost to each county FY 2012.

1. Monthly Labor Review June 2012
www.dli.maryland.gov

Request for Information

This report is designed to provide a general overview of Caroline County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report should be addressed to:

Caroline County Administrator
Caroline County Government
109 Market Street
Room 123
Denton, Maryland 21629

Or, please visit our website at www.carolinemd.org

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
ASSETS:				
Cash and cash equivalents	\$ 1,096,477	\$ 889,612	\$ 1,986,089	\$ 12,818,355
Investments	3,916,129	-	3,916,129	210,530
Deposits	114,446	-	114,446	-
Taxes receivable	3,305	-	3,305	-
Accounts receivable	1,106,768	213,049	1,319,817	472,446
Other receivables	3,000	-	3,000	-
Prepaid expenses	13,788	-	13,788	25,525
Inventories	182,450	-	182,450	54,531
Due from other governments	1,805,269	-	1,805,269	1,273,493
Other assets	5,818,927	-	5,818,927	-
Restricted assets:				
Investments	-	-	-	493,926
Capital assets:				
Nondepreciable assets	30,222,168	-	30,222,168	390,507
Depreciable assets, net	27,519,528	345,023	27,864,551	81,164,686
Total assets	71,802,255	1,447,684	73,249,939	96,903,999
LIABILITIES:				
Accounts payable	928,913	290,343	1,219,256	383,828
Accrued expenses	430,839	-	430,839	7,475,321
Due to other governments	4,652	-	4,652	-
Unearned revenue	118,411	16,443	134,854	1,433,494
Internal balances, net	(189,678)	189,678	-	-
Other liabilities	35,497	-	35,497	-
Non-current liabilities:				
Due within one year	3,505,323	-	3,505,323	985,767
Due in more than one year	37,320,579	-	37,320,579	22,156,840
Total liabilities	42,154,536	496,464	42,651,000	32,435,250
NET ASSETS:				
Invested in capital assets, net of related debt	22,018,273	345,023	22,363,296	77,802,231
Restricted	1,262,729	-	1,262,729	44,459
Unrestricted	6,366,717	606,197	6,972,914	(13,377,941)
Total net assets	\$ 29,647,719	\$ 951,220	\$ 30,598,939	\$ 64,468,749

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2012

Functions/Programs	Net (Expenses) Revenue and Changes in Net Assets									
	Program Revenues			Primary Government				Total		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Net Expense/Revenue	Component Units		
PRIMARY GOVERNMENT:										
Governmental activities:										
General government	\$ 6,845,879	\$ 769,659	\$ 663,804	\$ 187,000	\$ (5,225,416)	\$ -	\$ (5,225,416)	\$ -		
Public Safety	13,214,384	499,870	934,281	-	(11,780,233)	-	(11,780,233)	-		
Public Works	4,573,494	283,077	-	572,919	(3,717,498)	-	(3,717,498)	-		
Health	456,265	243	-	-	(456,022)	-	(456,022)	-		
Social services	133,412	-	-	-	(133,412)	-	(133,412)	-		
Primary education	14,109,214	-	-	-	(14,109,214)	-	(14,109,214)	-		
Secondary education	1,434,573	-	-	-	(1,434,573)	-	(1,434,573)	-		
Library	1,111,050	-	-	-	(1,111,050)	-	(1,111,050)	-		
Recreation and culture	1,167,538	69,718	60,939	44,459	(992,422)	-	(992,422)	-		
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-		
Conservation of natural resources	336,609	64,566	100,300	-	(171,743)	-	(171,743)	-		
Economic development	1,172,532	-	939,618	131,669	(101,257)	-	(101,257)	-		
Interest on long-term debt	1,118,515	-	-	-	(1,118,515)	-	(1,118,515)	-		
Total governmental activities	45,878,465	1,687,133	2,598,940	936,037	(40,356,355)	-	(40,356,355)	-		
Business-type activities:										
Broadband supply	140,066	133,815	85,354	-	-	79,103	79,103	-		
Recreation	681,819	167,309	467,053	-	-	(47,457)	(47,457)	-		
Public Works	814,760	863,618	-	-	-	48,858	48,858	-		
Basic Life Support	531,269	1,407,294	-	-	-	878,025	878,025	-		
Total business-type activities	2,167,914	2,572,036	552,407	-	-	956,529	956,529	-		
Total primary government	\$ 47,846,379	\$ 4,259,169	\$ 3,251,347	\$ 936,037	(40,356,355)	956,529	(39,399,826)	-		
COMPONENT UNITS:										
Board of Education of Caroline Co.	\$ 77,354,046	\$ 3,645,468	\$ 11,203,914	\$ 2,029,392	-	-	-	-	(60,475,272)	
Board of Library Trustees of Caroline Co.	1,698,366	35,483	133,200	-	-	-	-	-	(1,529,683)	
Total component units	\$ 79,052,412	\$ 3,680,951	\$ 11,337,114	\$ 2,029,392	-	-	-	-	(62,004,955)	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2012

	Net (Expenses) Revenue and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total Net Expense/ Revenue	
General revenues:				
Local property taxes	\$ 23,932,023	\$ -	\$ 23,932,023	\$ -
Income taxes	11,088,210	-	11,088,210	-
Other local taxes:				
Reconciliation tax	977,234	-	977,234	-
School construction excise tax	46,208	-	46,208	-
Mobile home tax	72,833	-	72,833	-
Transfer taxes	304,602	-	304,602	-
Slate shared general revenue	2,486,371	-	2,486,371	-
Interest and investment earnings	20,076	-	20,076	10,178
Other income	-	-	-	728,103
County and State appropriations	-	-	-	55,348,122
Net transfers in (out)	675,176	(675,176)	-	-
Total general revenues and transfers	39,602,733	(675,176)	38,927,557	56,086,403
Change in net assets	(753,622)	281,353	(472,269)	(5,918,552)
Net assets - beginning	30,401,341	669,867	31,071,208	70,387,301
Net assets - ending	\$ 29,647,719	\$ 951,220	\$ 30,598,939	\$ 64,468,749

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Capital Improvements	Capital Reserve	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,550,456	\$ 739,669	\$ 941,005	\$ 1,728	\$ 779,728	\$ 5,012,606
Deposits	-	114,446	-	-	-	114,446
Receivables:						
Taxes	3,305	-	-	-	-	3,305
Accounts	-	324,573	55,720	268,530	457,945	1,106,768
Other	3,000	-	-	-	-	3,000
Due from other funds	385,223	72,262	438,560	-	507	896,552
Due from other governments	1,708,010	-	-	-	-	1,708,010
Prepaid items	13,788	-	-	-	-	13,788
Material and supplies, at cost	182,450	-	-	-	-	182,450
Other assets	-	-	-	-	634,468	634,468
Total assets	\$ 4,846,232	\$ 1,250,970	\$ 1,435,285	\$ 270,258	\$ 1,872,648	\$ 9,675,393
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 238,204	\$ 272,964	\$ 100,383	\$ 268,530	\$ 48,832	\$ 928,913
Accrued items	430,839	-	-	-	-	430,839
Due to other funds	321,145	98,025	30,240	-	257,380	706,790
Due to other governments	-	-	-	-	4,652	4,652
Deferred revenues	108,297	-	-	-	10,114	118,411
Other liabilities	8,803	-	-	-	26,694	35,497
Total liabilities	1,107,288	370,989	130,623	268,530	347,672	2,225,102
Fund balance:						
Non-spendable	198,238	-	-	-	-	198,238
Restricted	-	-	-	1,728	1,261,001	1,262,729
Committed	-	879,981	1,304,662	-	176,242	2,360,885
Assigned	-	-	-	-	93,166	93,166
Unassigned	3,542,706	-	-	-	(5,433)	3,537,273
Total fund balance	3,738,944	879,981	1,304,662	1,728	1,524,976	7,450,291
Total liabilities and fund balance	\$ 4,846,232	\$ 1,250,970	\$ 1,435,285	\$ 270,258	\$ 1,872,648	\$ 9,675,393

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2012

Total Governmental Fund Balance	\$	7,450,291
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		57,741,696
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		97,175
Prepayment of county pension benefits		2,637,128
Prepayment of OPEB		2,547,331
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable		(30,875,000)
Loans and notes payable		(5,995,269)
Landfill closure costs		(2,384,652)
Compensated absences which are not due and payable in the current period and, therefore, are not reported in the funds		(1,570,981)
Net assets of Governmental Activities	\$	29,647,719

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2012

	General Fund	Capital Improvements	Capital Reserve	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 36,404,233	\$ -	\$ 304,602	\$ -	\$ 63,662	\$ 36,772,497
License and permits	166,345	-	-	-	243	166,588
Intergovernmental revenues	3,536,847	836,717	-	939,976	389,618	5,703,158
Charges for services	793,343	-	-	-	-	793,343
Miscellaneous revenues	86,120	1,782	1,421	-	574,324	663,647
Total revenues	40,986,888	838,499	306,023	939,976	1,027,847	44,099,233
Expenditures:						
General government	4,851,359	253,180	-	-	335,535	5,440,074
Public safety	11,725,011	15,374	13,842	-	508,295	12,262,522
Public works	3,523,622	659,920	772,879	-	-	4,956,421
Health	452,838	-	-	-	-	452,838
Social services	133,412	-	-	-	-	133,412
Primary education	12,299,444	1,627,683	-	-	-	13,927,127
Secondary education	1,480,604	-	-	-	-	1,480,604
Public Library	1,100,000	-	11,050	-	-	1,111,050
Recreation and parks	742,268	86,780	-	-	69,566	878,614
Arts	5,000	-	-	-	-	5,000
Conservation of natural resources	290,726	-	-	-	-	290,726
Economic development	242,850	-	-	939,976	134,706	1,317,532
Contingency	40,863	-	-	-	-	40,863
Debt Service:						
Principal	3,081,118	-	-	-	-	3,081,118
Interest and fiscal charges	1,118,515	-	-	-	-	1,118,515
Total expenditures	41,087,630	2,622,937	797,771	939,976	1,048,102	46,496,416
Excess (deficiency) of revenues over expenditures	(100,742)	(1,784,438)	(491,748)	-	(20,255)	(2,397,183)
Other financing sources (uses):						
Proceeds from sale of capital assets	-	65,935	-	-	-	65,935
Transfers in / (out)	776,881	73,000	-	-	(90,206)	759,675
Total other financing sources (uses)	776,881	138,935	-	-	(90,206)	825,610
Net change in fund balances	676,139	(1,645,503)	(491,748)	-	(110,461)	(1,571,573)
Fund balances, beginning	3,110,988	2,525,484	1,796,410	1,728	1,635,437	9,070,047
Change in reserve for materials and supplies	(48,183)	-	-	-	-	(48,183)
Fund balances, ending	\$ 3,738,944	\$ 879,981	\$ 1,304,662	\$ 1,728	\$ 1,524,976	\$ 7,450,291

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balance - Governmental Funds	\$ (1,571,573)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the cost of capital assets which have been capitalized during the current year.	1,766,255
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of assets disposed of, less accumulated depreciation.	(523,124)
Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a change in a long-term liability.	3,257,642
Governmental funds report the collection of long-term receivables as revenues. However, in the government-wide statements, these collections are reported as a reduction of long-term receivable.	(16,480)
Certain 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:	
Decrease in net pension prepaid	(275,061)
Decrease in net OPEB prepaid	(270,280)
Decrease in reserve for materials and supplies	(48,183)
Depreciation expense	(3,072,818)
Net assets of Governmental Activities	\$ (753,622)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	<u>Basic Life Support Fund</u>	<u>Broadband Supply Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 710,760	\$ 108,116	\$ 70,736	\$ 889,612
Accounts receivable	-	21,888	191,161	213,049
Total current assets	710,760	130,004	261,897	1,102,661
Noncurrent assets:				
Capital assets, net	-	315,670	29,353	345,023
Total assets	710,760	445,674	291,250	1,447,684
LIABILITIES:				
Current liabilities:				
Accounts payable	213,259	21,898	55,186	290,343
Due to other funds	-	189,678	-	189,678
Unearned revenue	-	1,976	14,467	16,443
Total current liabilities	213,259	213,552	69,653	496,464
Noncurrent liabilities:				
Long-term debt	-	-	-	-
Total liabilities	213,259	213,552	69,653	496,464
NET ASSETS:				
Invested in capital assets	-	315,670	29,353	345,023
Unrestricted	497,501	(83,548)	192,244	606,197
Total net assets	\$ 497,501	\$ 232,122	\$ 221,597	\$ 951,220

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

YEAR ENDED June 30, 2012

	<u>Basic Life Support Fund</u>	<u>Broadband Supply Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,407,294	\$ 133,815	\$ 1,030,927	\$ 2,572,036
Other income	-	85,354	467,053	552,407
Total operating revenues	1,407,294	219,169	1,497,980	3,124,443
Operating expenses:				
Personnel services	2,389	-	365,130	367,519
Operations and maintenance	528,880	93,659	1,130,952	1,753,491
Depreciation expense	-	48,407	497	48,904
Total operating expenses	531,269	140,066	1,496,579	2,167,914
Operating income (loss)	876,025	79,103	1,401	956,529
Nonoperating revenues (expenses):				
Transfers in (out)	(675,176)	-	-	(675,176)
Change in net assets	200,849	79,103	1,401	281,353
Net assets, beginning of year	296,652	153,019	220,196	669,867
Net assets, end of year	\$ 497,501	\$ 232,122	\$ 221,597	\$ 951,220

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED June 30, 2012

	Basic Life Support Fund	Broadband Supply Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,407,294	\$ 130,440	\$ 1,051,093	\$ 2,588,827
Cash received other	-	85,354	467,053	552,407
Cash paid to suppliers	(521,762)	(88,299)	(1,140,684)	(1,750,745)
Cash paid to employees	(2,389)	-	(385,130)	(387,519)
Net cash provided by operating activities	883,143	127,495	12,332	1,022,970
Cash flows from noncapital financing activities:				
Transfers in (out)	(675,176)	-	-	(675,176)
Receipts (payments) from interfund loans	-	(108,000)	-	(108,000)
Net cash used by noncapital financing activities	(675,176)	(108,000)	-	(783,176)
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(26,563)	(29,850)	(56,413)
Net cash used by capital and related financing activities	-	(26,563)	(29,850)	(56,413)
Net increase (decrease) in cash and cash equivalents	207,967	(7,068)	(17,518)	183,381
Cash and cash equivalents, beginning of year	502,793	115,184	88,254	706,231
Cash and cash equivalents, end of year	\$ 710,760	\$ 108,116	\$ 70,736	\$ 889,612
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 876,025	\$ 79,103	\$ 1,401	\$ 956,529
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	46,407	497	46,904
(Increase)/decrease in accounts receivable	-	(5,351)	16,522	11,171
Decrease in prepaid expenses	-	-	1,000	1,000
Increase/(decrease) in accounts payable	7,118	5,360	(10,732)	1,746
Increase in deferred revenue	-	1,976	3,644	5,620
Net cash provided by operating activities	\$ 883,143	\$ 127,495	\$ 12,332	\$ 1,022,970

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 568,415	\$ 1,013,747
Investments at fair value:		
Fixed income	-	9,434,048
Equity funds	-	8,985,001
Total investments at fair value	-	18,419,049
Taxes and other receivables	34,159	-
Total assets	\$ 602,574	19,432,796
LIABILITIES:		
Accounts payable	67,855	-
Due to property owners	369,981	-
Due to other funds	84	-
Due to other governments	162,262	-
Due to participants	2,392	-
Total liabilities	\$ 602,574	-
NET ASSETS:		
Held in trust for participants		\$ 19,432,796

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED June 30, 2012

	<u>Employee benefit Trust Funds</u>
Additions:	
Contributions:	
Plan sponsor	\$ 1,002,439
Employee	50,151
Net realized gain on sale of securities	96,976
Interest, dividends and gains	698,090
<hr/>	
Total additions	1,847,656
<hr/>	
Deductions:	
Benefits paid	1,171,261
Transfers out	101,938
Administrative fees	102,425
Unrealized depreciation in asset value	516,850
<hr/>	
Total deductions	1,892,474
<hr/>	
Change in net assets	(44,818)
<hr/>	
Net assets, beginning of year	19,477,614
<hr/>	
Net assets, end of year	\$ 19,432,796
<hr/>	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET ASSETS

COMPONENT UNITS

June 30, 2012

	Board of Education of Caroline County	Board of Library Trustees of Caroline County	Total
ASSETS:			
Cash	\$ 12,791,922	\$ 26,433	\$ 12,818,355
Investments	-	210,530	210,530
Accounts receivable	424,551	47,895	472,446
Prepaid expenses	-	25,525	25,525
Other assets	-	-	-
Inventories	54,531	-	54,531
Due from other governments	1,273,493	-	1,273,493
Restricted assets:			
Investments	-	493,926	493,926
Accounts receivable	-	-	-
Nondepreciable assets	390,507	-	390,507
Depreciable assets, net	80,274,936	889,750	81,164,686
Total assets	95,209,940	1,694,059	96,903,999
LIABILITIES:			
Accounts payable	353,867	29,961	383,828
Accrued expenses	7,444,714	30,607	7,475,321
Due to other governments	-	-	-
Deferred revenue	1,424,709	8,785	1,433,494
Accrued compensated absences	-	20,314	20,314
Long-term liabilities:			
Due within one year	985,767	-	985,767
Due in more than one year	22,136,526	-	22,136,526
Total liabilities	32,345,583	89,667	32,435,250
NET ASSETS:			
Invested in capital assets, net of related debt	76,912,481	889,750	77,802,231
Restricted for:			
Fund purposes	-	44,459	44,459
Unrestricted (deficit)	(14,048,124)	670,183	(13,377,941)
Total net assets	\$ 62,864,357	\$ 1,604,392	\$ 64,468,749

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education of Caroline County	Board of Library Trustees Caroline County	Total Net Expense/ Revenue
COMPONENT UNITS:							
Board of Education of Caroline County	\$ 77,354,046	\$ 3,645,468	\$ 11,203,914	\$ 2,029,392	\$ (60,475,272)	\$ -	\$ (60,475,272)
Board of Library Trustees of Caroline County	1,698,366	35,483	133,200	-	(1,529,683)	(1,529,683)	(1,529,683)
Total component units	\$ 79,052,412	\$ 3,680,951	\$ 11,337,114	\$ 2,029,392	(60,475,272)	(1,529,683)	(62,004,955)
General revenues:							
County appropriations				12,299,444	1,100,000		13,399,444
State appropriations				41,554,340	394,338		41,948,678
Interest and investment earnings				9,309	869		10,178
Miscellaneous				717,868	15,788		733,656
Total general revenue				54,580,961	1,510,995		56,091,956
Loss on disposal of equipment				(5,553)			(5,553)
Change in net assets				(5,899,864)	(18,688)		(5,918,552)
Net assets – beginning				68,764,221	1,623,080		70,387,301
Net assets – ending				\$ 62,864,357	\$ 1,604,392		\$ 64,468,749

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. Summary of significant accounting policies

Caroline County (the County) was created by an act of the Maryland General Assembly on December 23, 1773. The County operates under a Commissioner form of government and provides the following services: education, public safety (fire and police), health and social services, highways and streets, public works, library, recreation and parks, planning and zoning, economic development and general administration.

In 1984, the citizens of the County voted to establish Caroline County as a Code Home Rule County, which allows the Commissioners to exercise the powers of self-government over local matters.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Reporting Entity

The financial statements of the reporting entity include those of Caroline County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity include whether:

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**

A. Reporting Entity (continued)

Based on the application of these criteria, the following organizations are considered component units of Caroline County Government. Their combined financial data is discretely presented in a separate column in the government-wide financial statements. A Combining Statement of Net Assets and a Combining Statement of Activities for the component units are also provided. All discretely presented component units have a June 30 year end.

The Board of Education of Caroline County, Maryland (the Board of Education) is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The Board of Education is financially accountable to the Caroline County Government because the Board of Education's annual budget is subject to the approval of the County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$12,299,444 in operating funding and \$1,627,683 in capital funding to the Board of Education during Fiscal Year 2012.

The Board of Library Trustees for Caroline County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of the State of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the County Commissioners. The Library is presented as a governmental fund type. The County provided \$1,100,000 in operating funding and \$11,050 in capital funding to the Library during Fiscal Year 2012.

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

B. Basic Financial Statements

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**
B. **Basic Financial Statements (continued)**

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

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

The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**
B. **Basic Financial Statements (continued)**

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

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

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

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. All Special Revenue Funds of the County, with the exception of the Special Grants Fund, are non-major funds. The Special Grants Fund is used to track intergovernmental revenues sources used towards economic development.
- c. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds) such as roads projects and property acquisition and development. The Capital Improvements and Capital Reserve Funds are major funds, and are used to account for all current major construction projects.

Proprietary Funds: The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those used for businesses in the private sector. The following is a description of the proprietary funds of the County:

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**

B. **Basic Financial Statements (continued)**

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to cover similar costs. The Basic Life Support Fund and Broadband Supply Fund are considered major funds and are presented separately. All other enterprise funds are non-major, and their data is combined into a single aggregated presentation.

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net assets and changes in net assets and accounting principles used are similar to those used for proprietary funds.

The County's Fiduciary Funds consist of agency funds and employee benefit trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds temporarily hold collected tax revenues for town taxes, state taxes, motor vehicle tags, public drainage associations, and hotel occupancy taxes, as well as inmates' funds and confiscated property. Employee benefit trust funds are used to account for the County's employee pension plan, a self-funded health plan for County retirees, a trust fund established to accumulate funds to pay for health and welfare benefits of future retirees, and the Fireman's Association Length of Service Award Program (LOSAP). The results of operations for these funds are presented in the Statement of Changes in Fiduciary Net Assets.

C. **Basis of Accounting and Measurement Focus**

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

Basis of Accounting

Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. Summary of significant accounting policies (continued)

C. Basis of Accounting and Measurement Focus (continued)

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

Measurement Focus

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

In the governmental fund financial statements, the “current financial resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

In applying the susceptible to accrual concept to operating and capital grants, which are classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements, including time requirements, are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as deferred revenue.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**

C. **Basis of Accounting and Measurement Focus (continued)**

Licenses and permits, charges for services, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County's 60-day availability period, they are recognized as revenue; if not, such amounts are reported as deferred revenue.

D. **Financial Statement Amounts**

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

Investments: Investments held by the County are stated at fair value. Fair value is based on quoted market prices at year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables: All trade and property tax receivables are reported at their fair value. Taxes, special assessments, and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

Property tax revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. Revenue relating to receivables which have not been collected within sixty days after the year-end has been reclassified from property tax revenues to deferred revenues.

Interfund Transactions: The following is a description of the basic types of interfund transactions made during the year and related accounting policies:

- a. Transactions for services provided – these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund – these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.
- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them – these transactions are recorded as transfers in and out.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**
D. **Financial Statement Amounts (continued)**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are eliminated.

Inventories: Inventories of the County, consisting of expendable supplies held for the County's sale and use, are valued at cost using the First-In/First-Out Method.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

Capital Assets: Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County and the Board of Education as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Library defines capital assets as assets having an initial individual cost of more than \$500 and an estimated useful life in excess of one year. For the primary government and component units, donated capital assets are recorded at estimated fair market value at the date of donation.

Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Projects are not capitalized until completed or substantially completed and available for use.

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

<u>Caroline County Government</u>	
Infrastructure	7-40 years
Buildings	40 years
Improvements	10 – 30 years
Machinery and equipment	5 – 10 years
Vehicles	5 years
General capital assets	10 – 40 years

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**

D. **Financial Statement Amounts (continued)**

The Board of Education

Buildings and improvements	15 – 50 years
Furniture and equipment	5 – 20 years
Vehicles	6 – 15 years
Software	5 – 7 years

The Library

Furniture and equipment	5-10 years
Vehicles	5 years
Books and materials	7 years
Leasehold improvements	30 years

GASB 34 requires the County to report and depreciate new infrastructure assets effective July 1, 2002. Infrastructure assets include roads, bridges, underground pipe, etc. These infrastructure assets are the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Prior to July 1, 2002, these general infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Fund Equity: In the government-wide financial statements, equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, equity is classified as fund balance for governmental funds. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the County Commissioners, through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**
D. **Financial Statement Amounts (continued)**

County Commissioners. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences: Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County's policy to permit employees to accumulate earned but unused annual leave, compensatory time, and sick pay benefits.

The County accrues the value of the accumulated unpaid annual leave, compensatory time, sick leave and associated employee-related costs when incurred in the government-wide and proprietary fund financial statements. The General Fund has typically been used in prior years to liquidate these compensated absences. Only the amount of unused annual leave and compensatory pay that has matured (i.e., the amount due and payable following a former employee's resignation or retirement) is recorded as an expenditure and a liability in the governmental fund that will pay it. The noncurrent portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations: In the government-wide financial statements, and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital leases are recorded in the same manner.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. **Summary of significant accounting policies (continued)**
D. **Financial Statement Amounts (continued)**

Revenues, Expenditures, and Expenses: Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

2. **Stewardship, Compliance, and Accountability**

Budgets and Budgetary Accounting

A legal budget is adopted and formal budgetary accounting is employed as a management control for most funds of the County, except fiduciary funds. Budgets were not adopted for the OJP Grant Law Enforcement, Dayspring Townhomes, MEAF Revolving Loan and Revolving Loan Special Revenue Funds. Budgetary comparison schedules are presented for the General Fund, Capital Improvements Fund, Capital Reserve Fund and all other funds with legally adopted annual budgets. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All annual appropriations lapse at fiscal year-end.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

**2. Stewardship, Compliance, and Accountability (continued)
Budgets and Budgetary Accounting (continued)**

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2012.

3. Cash Deposits and Investments

A. Primary Government

The County Commissioners are authorized to invest unexpended revenues from taxation, bond sales, lawful distributions to it of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purposes. The County's investment policy (adopted October 31, 1995) permits investment only in those types of securities authorized by State Finance and Procurement Article Section 6-222(a) and Article 95, Section 22-22N of the Annotated Code of Maryland.

Cash Deposits: At year-end, the carrying amount of the County's deposits was \$1,986,089 and the bank balance was \$2,253,611, all of which was covered by federal depository insurance or by collateral held by the County's agent in the County's name.

Investments: Statutes authorize the County Comptroller to invest in short-term U.S. government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the Comptroller to invest in the local government investment pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used. The County's investment policy limits authorized investments to those with minimal credit risk.

At year-end, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	\$ 3,916,129

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

3. **Cash Deposits and Investments (continued)**
 B. **Primary Government (continued)**

Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAm by Standard and Poors. As of June 30, 2012, the County's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk and is in conformity with the County's policy relating to minimal credit risk of investments. The Pool is managed as a Rule 2a-7 pool. Therefore, the County faces no interest rate risk.

Fiduciary Fund Investments: The Caroline County Employees Pension Plan, Other Postemployment Benefit Plan, Fireman's Length of Service Award Program (LOSAP) Plan, and Retiree Health Care Fund 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. Notes 9 and 10 present the details of these plans.

Interest Rate Risk

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

Maturities	
Cash and equivalents	\$ 1,013,747
Less than 1 year	855,114
1-5 years	3,299,182
5-10 years	2,174,500
10-15 years	567,544
15-20 years	-
Total	\$ 7,710,087

Foreign currency risk

It is the County's policy to minimize foreign currency risk by limiting foreign asset investments for the Employees' Pension Plan and the OPEB Trust. The total exposure to foreign currency risk as of June 30, 2012 was \$100,181 and \$150,271 for the Employees' Pension Plan and the OPEB Trust, respectively.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

3. **Cash Deposits and Investments (continued)**

B. **Component Units**

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$2,257,344 and the bank balance was \$2,149,827. At year-end, all of the Board's deposits were fully covered by Federal depository insurance and/or collateral pledged in the Board's name.

At year-end, the carrying amount of the deposits of the Caroline County Public Library, a discretely presented component unit, was \$26,433 and the bank balance was \$41,931, all of which was covered by Federal depository insurance.

At year-end, the Board of Education's investment balances were as follows:

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 10,534,578

At year-end, the Caroline County Public Library's investment balances were as follows:

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 704,456

4. **Receivables**

The County's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County. Assessed values are established by the Maryland State Department of Assessments and Taxation as predetermined percentages of estimated market value. Payments are due by September 30. Beginning October 1, interest is charged each month on taxes that remain unpaid. At the owner's option, taxes on owner-occupied residential property may be paid on a semiannual basis, the second half of the taxes being due December 31 with a 1.65% service and administrative fee. Properties with delinquent taxes are sold at public auction in June of each year.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

5. **Interfund transactions**

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<u>Primary government:</u>		
General Fund	\$ 385,223	\$ 321,145
<u>Special Revenue Funds:</u>		
OJP Grant Law Enforcement	507	-
Drug Task Force	-	4,906
CDBG	-	117,359
Emergency Management Grant	-	135,115
<u>Total Special Revenue Funds</u>	<u>507</u>	<u>257,380</u>
<u>Capital Projects Funds:</u>		
Capital Improvements	72,262	98,025
Capital Reserve	438,560	30,240
<u>Total Capital Projects Funds</u>	<u>510,822</u>	<u>128,265</u>
<u>Agency Funds:</u>		
Tax Sale Proceeds	-	84
<u>Enterprise Funds:</u>		
Broadband Supply	-	189,678
<u>Component units:</u>		
Board of Education	543,995	543,995
Board of Library Trustees	496	496
<u>Total Component Units</u>	<u>544,491</u>	<u>544,491</u>
	<u>\$ 1,441,043</u>	<u>\$ 1,441,043</u>

Most frequently, interfund receivables and payables are used by the County to cover temporary cash deficits in individual funds until grant funds are received. Occasionally, these receivables and payables are used in lieu of short-term external borrowing.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

5. Interfund transactions (continued)

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. During the fiscal year ended June 30, 2012, operating transfers were made between the following funds to help defray costs incurred in those respective funds. A summary of interfund transfers by fund for the year ended June 30, 2012 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	<u>\$ 1,007,114</u>	<u>\$ 230,233</u>
Special Revenue Funds:		
State Agricultural Land Preservation	-	20,000
4-H Park	29,794	-
<u>Total special revenue funds</u>	<u>29,794</u>	<u>20,000</u>
Capital Projects Funds:		
Educational Facilities	-	100,000
Capital Improvements	73,000	-
<u>Total capital projects funds</u>	<u>73,000</u>	<u>100,000</u>
Enterprise Funds:		
Basic Life Support	-	675,176
<u>Total enterprise funds</u>	<u>-</u>	<u>675,176</u>
Private purpose trust funds:		
Retiree Health Care	127,439	-
OPEB Trust	-	211,938
<u>Total private purpose trust funds</u>	<u>127,439</u>	<u>211,938</u>
<u>Total</u>	<u>\$ 1,237,347</u>	<u>\$ 1,237,347</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. **Capital assets**

Caroline County

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Transfer / Decreases	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 13,095,598	\$ -	\$ (182,087)	\$ 12,913,511
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	1,730,429	651,004	(2,125,750)	255,683
Total capital assets, not depreciated	31,879,001	651,004	(2,307,837)	30,222,168
Capital assets, depreciated:				
Infrastructure	22,508,453	701,539	1,797,151	26,007,143
Buildings	28,118,026	40,615	-	28,158,641
Improvements	3,294,787	231,838	-	3,526,625
General capital assets	4,637,675	-	(19,363)	4,618,312
Vehicles	2,059,542	-	-	2,059,542
Machinery and equipment	12,035,151	141,259	(197,939)	11,978,471
Total capital assets, depreciated	72,653,634	1,115,251	1,579,849	75,348,734
Less: accumulated depreciation for:				
Infrastructure	(16,455,542)	(717,671)	-	(17,173,213)
Buildings	(15,126,105)	(784,522)	-	(15,910,627)
Improvements	(974,270)	(394,425)	-	(1,368,695)
General capital assets	(3,062,272)	(234,531)	14,716	(3,282,087)
Vehicles	(1,772,119)	(80,251)	-	(1,852,370)
Machinery and equipment	(7,570,944)	(861,418)	190,148	(8,242,214)
Total accumulated depreciation	(44,961,252)	(3,072,818)	204,864	(47,829,206)
Total capital assets, depreciated, net	27,692,382	(1,957,567)	1,784,713	27,519,528
Governmental activities capital assets, net	\$ 59,571,383	\$ (1,306,563)	\$ (523,124)	\$ 57,741,696
Business-type activities:				
Capital assets, depreciated:				
Building and improvements	\$ 455,881	\$ 56,413	\$ -	\$ 512,294
Less: accumulated depreciation for:				
Buildings and improvements	(120,367)	(46,904)	-	(167,271)
Total capital assets, depreciated, net	335,514	9,509	-	345,023
Business-type activities capital assets, net	\$ 335,514	\$ 9,509	\$ -	\$ 345,023

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. **Capital assets (continued)**

Caroline County (continued)

Non-depreciable infrastructure consists primarily of road-base and rights of way.

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

Governmental Activities:

General government	\$	790,264
Public Safety		975,367
Public Works		959,003
Health		3,427
Recreation and culture		298,874
Conservation of natural resources		45,883
		<hr/>
Total depreciation expense - Governmental Activities		3,072,818

Business-type Activities:

Broadband Supply	\$	46,407
Public works		497
		<hr/>
	\$	46,904

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. **Capital assets (continued)**

Discretely Presented Component Units

Board of Education

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers / Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Construction in progress	\$ 27,806,672	\$ 208,420	\$ (27,806,672)	\$ 208,420
Land	-	182,087	-	182,087
Total capital assets, not depreciated	27,806,672	390,507	(27,806,672)	390,507
Capital assets, depreciated:				
Buildings and improvements	75,893,775	2,390,428	27,719,404	106,003,607
Furniture and equipment	1,208,850	207,045	87,268	1,503,163
Software	608,357	-	-	608,357
Vehicles	1,537,729	106,913	(37,604)	1,607,038
Total capital assets, depreciated	79,248,711	2,704,386	27,769,068	109,722,165
Less: accumulated depreciation for:				
Buildings and improvements	(25,274,736)	(1,876,177)	-	(27,150,913)
Furniture and equipment	(912,862)	(64,986)	-	(977,848)
Software	(497,205)	(40,616)	-	(537,821)
Vehicles	(811,773)	(145,614)	9,401	(947,986)
Total accumulated depreciation	(27,496,576)	(2,127,393)	9,401	(29,614,568)
Total capital assets, depreciated, net	51,752,135	576,993	27,778,469	80,107,597
Governmental activities capital assets, net	\$ 79,558,807	\$ 967,500	\$ (28,203)	\$ 80,498,104
Business-type activities:				
Equipment	\$ 940,473	\$ 27,750	\$ (23,800)	\$ 944,423
Vehicles	36,745	-	-	36,745
Total capital assets being depreciated	977,218	27,750	(23,800)	981,168
Less: accumulated depreciation:				
Equipment	(738,913)	(61,578)	18,247	(782,244)
Vehicles	(31,585)	-	-	(31,585)
Total accumulated depreciation	(770,498)	(61,578)	18,247	(813,829)
Business-type activities capital assets, net	\$ 206,720	\$ (33,828)	\$ (5,553)	\$ 167,339

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. Capital assets (continued)

Board of Education (continued)

Depreciation expense for the fiscal year ended June 30, 2012 was charged to governmental functions as follows:

Administration	\$	94,042
School management and support		23,287
Other instructional costs		1,890,564
Pupil transportation		86,524
Maintenance of plant		32,976
		\$ 2,127,393
Total depreciation expense	\$	2,127,393

Library

Capital asset activity for the Library for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furnishings and equipment	\$ 918,307	\$ 71,903	\$ (249,242)	\$ 740,968
Vehicles	114,769	-	-	114,769
Leasehold improvements	282,145	-	-	282,145
Books and materials	1,241,736	114,386	(225,037)	1,131,085
	2,556,957	186,289	(474,279)	2,268,967
Accumulated depreciation:				
Furnishings and equipment	(797,120)	(51,285)	249,242	(599,163)
Vehicles	(89,308)	(16,974)	-	(106,282)
Leasehold improvements	(38,947)	(9,405)	-	(48,352)
Books and materials	(696,894)	(153,563)	225,037	(625,420)
	(1,622,269)	(231,227)	474,279	(1,379,217)
Net capital assets	\$ 934,688	\$ (44,938)	\$ -	\$ 889,750

Governmental activities depreciation expense was \$231,227 for the fiscal year ended June 30, 2012.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

7. Long-term obligations

The County issues general obligation bonds and other indebtedness to provide funds for the acquisition and construction of major capital facilities. Indebtedness has been issued for governmental activities. The following is a summary of the County's long-term debt transactions for the year ended June 30, 2012:

	Balance July 01, 2011	Additions	Retirements and Repayments	Balance June 30, 2012	Current Portion
<u>Governmental activities:</u>					
Bonds and loans	\$ 37,626,835	\$ -	\$ 3,287,149	\$ 34,339,686	\$ 2,610,323
Unpaid vacation and sick pay benefits	1,654,978	878,960	962,957	1,570,981	895,000
Accrued landfill liability	2,271,148	113,504	-	2,384,652	-
Dayspring Townhomes	2,530,583	-	-	2,530,583	-
	\$ 44,083,544	\$ 992,464	\$ 4,250,106	\$ 40,825,902	\$ 3,505,323

For the governmental activities, compensated absences are generally liquidated by the General Fund and certain Special Revenue Funds.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2012 is composed of the following issues:

Description	Interest Rates	Date Issued	Date Series Matures	Original Issue	Outstanding
General bonded debt:					
2006 Public Improvement Bond	3.75-4.0%	2006	2022	\$ 12,475,000	\$ 9,075,000
2008 Public Improvement Bond	3.50-4.50%	2008	2028	5,600,000	4,790,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	6,395,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	7,490,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	3,125,000
State loans:					
Midshore Business & Tech. Park	0.000%	2007	-	3,057,529	3,057,529
Capital projects loans:					
Chesapeake College	5.900%	1994	2014	190,000	31,350
Chesapeake College	5.506%	2000	2020	535,000	275,000
Chesapeake College	3.500%	2003	2023	155,000	100,807
				<u>\$ 41,233,529</u>	<u>34,339,686</u>
Other components:					
Long-term portion of unpaid vacation and sick pay benefits					1,570,981
Accrued landfill liability					2,384,652
Long-term obligations of Dayspring Townhomes					2,530,583
					<u>\$ 40,825,902</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

7. **Long-term obligations (continued)**

The annual requirements to amortize all general bonded debt and loans (excludes Midshore Business & Tech Park) at June 30, 2012 are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>		<u>Total Requirement</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 2,610,323	\$ 1,140,964	\$ 3,751,287
2014	2,452,615	1,081,462	3,534,077
2015	2,545,807	1,022,130	3,567,937
2016	2,668,206	959,598	3,627,804
2017	1,933,605	893,039	2,826,644
2018	1,994,061	821,426	2,815,487
2019	2,004,517	742,352	2,746,869
2020	2,099,972	665,751	2,765,723
2021	2,145,485	583,095	2,728,580
2022	2,260,998	495,416	2,756,414
2023	1,231,568	425,062	1,656,630
2024	1,135,000	371,964	1,506,964
2025	1,080,000	319,554	1,399,554
2026	1,095,000	268,139	1,363,139
2027	1,090,000	213,239	1,303,239
2028	1,075,000	157,934	1,232,934
2029	695,000	102,639	797,639
2030	715,000	61,616	776,616
2031	60,000	19,156	79,156
2032	60,000	16,756	76,756
2033	60,000	14,281	74,281
2034	65,000	11,731	76,731
2035	65,000	8,969	73,969
2036	70,000	6,125	76,125
2037	70,000	3,063	73,063
	<u>\$ 31,282,157</u>	<u>\$ 10,405,461</u>	<u>\$ 41,687,618</u>

The County received loans from the Department of Housing and Community Development, a state agency, which were used by an agent to construct housing for low-income families (the Dayspring Townhomes project). Development, construction and equipping of the project was financed in part by a long-term mortgage in the amount of \$2,530,583 (as of June 30, 2012) from the DHCD. The related deed of trust note calls for interest at a rate equal to the Maryland State Bonds which were issued to provide the funding for the program. Repayment

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

7. **Long-term obligations (continued)**

of principal and any accrued interest are deferred in perpetuity until the occurrence of any of the following events:

- a. The project is no longer used to provide housing for low income households;
- b. The refinancing, sale, transfer or conveyance of the project;
- c. Any encumbrance of the project without prior written consent of the DHCD; or
- d. Any event of default.

The amount of repayment is limited to the lesser of the outstanding balance on the notes or the amount realized through sale of the property. The County cannot be required to pay any additional amounts.

On January 22, 2002, the County executed a promissory note to the Maryland Department of Business and Economic Development in the amount of \$160,000 to enable the County to finance the creation of a Business Development and Support Center. The note is interest-free, and repayment of the loan was forgiven as the Center was operated as required until the maturity date in 2012.

On March 7, 2003, the County executed two promissory notes to the Maryland Department of Business and Economic Development (DBED) totaling \$1,500,000 to enable the County to finance the development of an industrial park in Ridgely, Maryland. On July 24, 2007, the County entered into an amended agreement with DBED, whereby the loans were released and DBED provided an additional \$1,000,000 in financing to the County, for a total of \$2,500,000. On December 30, 2009, DBED invested another \$557,529 and an amended and restated investment agreement was entered into. The new funds are to be used to further develop the Midshore Business and Technology Park in Ridgely, Maryland and will be repaid as lots are sold and/or leased. There is no fixed maturity date, but the State can require immediate repayment of the entire outstanding principal, plus interest should a default occur.

On December 22, 2009, the County issued its "Public Improvements Bonds of 2009", which are taxable Build America Bonds. These bonds provide for a 35 percent federal subsidy on the total interest payments. The interest is paid to the County on a semi annual basis corresponding with the interest payment dates to the bondholders. The interest requirements for this bond in the accompanying schedule of maturities are shown at the gross amount. The remaining federal subsidy totals \$1,757,382 through the fiscal year ended June 30, 2030.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

7. **Long-term obligations (continued)**

Board of Education

The long-term lease obligations of the Board of Education of Caroline County are reported in note 11 - Leases.

8. **Retirement Plans**

The County maintains or participates in certain retirement plans which provide benefits to its employees. The various plans and its participants are outlined below:

<u>Employees</u>	<u>Plan</u>
Board of Education	Maryland State Retirement and Pension Systems
Library	Maryland State Retirement and Pension Systems
Caroline County: Elected officials	Maryland State Retirement and Pension Systems
Election officials	Maryland State Retirement and Pension Systems
Sheriff's Deputies	Maryland State Law Enforcement Officers' Retirement System (LEOPS)
Appointed officials and certain employees	Defined Contribution Deferred Compensation Plan
All other county employees and certain appointed officers	Caroline County, Maryland Employees' Pension Plan Caroline County Commissioners Deferred Compensation Plan

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. **Retirement Plans (continued)**

Caroline County, Maryland Employees' Pension Plan

Plan description

All of the County's permanent employees who work at least 20 hours a week (excluding Library and Board of Education employees, and elected and certain appointed officials) participate in the above-titled plan, which is a single-employer, defined benefit plan. The Plan is administered by M & T Bank. A stand-alone Actuarial Valuation Report is issued annually, a copy of which may be obtained from the Office of Human Resources located at 403 South 7th Street in Denton, Maryland. The plan does not issue a separate, audited GAAP-basis pension plan report.

All employees are eligible to participate in the Plan immediately upon employment (appointed officials upon the 5th year of their anniversary date of employment). Under the provisions of the Plan, pension benefits vest 0% for the first five years of service, 50% at the end of the fifth year of service, and an additional 10% at the end of each year until 100% vesting occurs after year ten (10). Employees hired prior to September 16, 1997 are 100% vested with five years of service. Employees may retire when they have 30 years of service (25 years for police and public safety employees), or when they reach age 62 and have 5 years of service, and receive benefits equal to the following formula: 1.6% of the participant's final average earnings multiplied by the participant's years of credited service.

A member may retire with reduced benefits after attaining age 55 with 20 years of service or age 60 with 10 years of service. Police and public safety officers may retire early after age 50 and 20 years of service. Also, the pension plan provides for certain death benefits.

Related party investments

During the fiscal year, and as of June 30, 2012, the Plan held no securities issued by the County or other related entities.

Funding policy

The County pays for the total cost of the Plan; no contributions are required of members. The County is required to contribute at an actuarially determined rate, using the entry age normal cost funding method, applied on an aggregate basis; the current rate is 17.39% of annual covered payroll.

Funding status and progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 65.24% funded. The actuarial accrued liability was \$21,620,665 and the actuarial value of assets was \$14,105,253, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,515,412, equal to 106.45% of annual covered payroll. The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

8. **Retirement Plans (continued)**

Caroline County, Maryland Employees' Pension Plan (continued)

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the PERS (Public Employees Retirement System) for the current year were as follows:

Annual required contribution (ARC)	\$ 1,121,819
Interest on net pension obligation	(218,414)
Adjustment to annual required contribution	246,656
<hr/>	
Annual pension cost	1,150,061
Contributions made	(875,000)
<hr/>	
Decrease in net pension prepaid	275,061
Net pension obligation/(prepaid) at beginning of year	(2,912,189)
<hr/>	
Net pension obligation/(prepaid) at end of year	\$ (2,637,128)

The annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the entry age normal cost funding method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, using a closed period, level dollar amortization method. The remaining amortization period at July 1, 2011, was 24 years.

Trend information

Historical trend information for the County PERS is presented below:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Prepaid)
2010	\$ 846,597	91.90%	\$ (3,097,934)
2011	\$ 960,745	80.67%	\$ (2,912,189)
2012	\$ 1,150,061	76.08%	\$ (2,637,128)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. **Retirement Plans (continued)**

Maryland State Retirement and Pension Systems

The State of Maryland provides the following retirement plans in which certain County employees are participants:

Employees Retirement and Pension System – (Employees System)
Teachers Retirement and Pension System – (Teachers System)
Law Enforcement Officers' Pension System – (LEOPS)

The following groups of employees participate in one of the statewide contributory systems of the State of Maryland:

Board of Education - regular employees	Employees System
Board of Education – teachers	Teachers System
Library	Teachers System
Caroline County:	
Election officials	Employees System
Elected officials	Employees System
Certain retired personnel	Employees System
Sheriffs' deputies	LEOPS

Plan description

The Employees System, the Teachers System and LEOPS are multiple-employer, cost sharing, defined benefit public retirement systems sponsored by the Maryland State Retirement and Pensions System and were created by the Maryland General Assembly. The State Retirement and Pension System of Maryland issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

A member may retire with full benefits after 30 years of creditable service (25 years for LEOPS) regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating from the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

The State Personnel and Pensions Article requires active members to contribute to the Systems at the rate of 5% or 7% (6% for LEOPS) of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ended June 30, 2012 of 33.09% of covered payroll, is established by annual actuarial valuations.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

8. **Retirement Plans (continued)**

Employers' payroll covered under the plans

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<u>Payroll covered under plans:</u>			
County-MD retirement and pension \$	1,487,791	\$ 1,477,935	\$ 1,454,425
Board of Education	35,359,702	38,007,682	37,664,864
Library	689,058	729,425	861,495
<u>Pension contribution:</u>			
County:			
MD retirement and pension	466,354	437,438	447,578
Percentage of ARC contributed	100%	100%	100%
Board of Education:			
On behalf by state	4,865,665	4,903,330	4,449,995
By Board	712,603	727,518	602,357
Percentage of ARC contributed	100%	86%	84%
Library:			
On behalf by state	122,498	139,375	128,403
Percentage of ARC contributed	100%	86%	84%

Pension contributions made by the State of Maryland, on behalf of the County, the Board of Education and the Library are recognized as both revenue and expenditure.

Deferred Compensation Plans

Certain appointed officials participate in a defined contribution deferred compensation plan whereby the County contributes from 5% to 12% of salary to an account in the name of the participating employee. In addition, the employee may contribute certain amounts to his account under the plan subject to certain limitations.

Total contributions to this plan by the County were \$41,486 for the year ended June 30, 2012.

In addition, the County maintains a qualified retirement plan under Internal Revenue Code Section 457. This plan allows merit employees to make contributions toward retirement. The County made contributions of \$37,321 to this plan for the year ended June 30, 2012.

The County has a contract with a retirement company under which the company manages and administers the plans, serves as trustee to the underlying trust and advises the participants. Contributions (employer and employee) are invested as selected by the employees. A separate account is maintained for each participant.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. **Other postemployment benefits**

Caroline County

Plan Description

The Caroline County Postemployment Benefits Trust Fund (the "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare benefits to eligible retirees and their surviving spouses and dependents. Chapter 49 of the Code of Public Laws of Caroline County provides the authority to establish and amend benefit plans. Eligible participants include former employees of the County, and/or their surviving spouse and dependents, with at least 20 years of service with the County, who are eligible for and receiving pension benefits through the County's pension plan. Employees retiring with State or other pension plans are ineligible. Under the terms of the Plan, the County pays the cost of an individual membership for Medicare supplementary insurance coverage. Participants in the Plan are responsible for paying all of their health care costs that exceed the amount of the County's contribution. As of July 1, 2011, the date of the last actuarial valuation, approximately 41 retirees and their beneficiaries were receiving benefits, and an estimated 173 active employees are potentially eligible to receive future benefits. The Plan does not issue a separate audited GAAP-basis postemployment benefit plan report.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County Commissioners. Effective January, 2009, the County created the "Other Postemployment Benefits Trust" (the "Trust") in order to arrange for the establishment of a reserve to pay promised future healthcare benefits for employee services that have already occurred. The County intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB 43 and 45. The County pays for the current cost of coverage on a pay as you go basis, from the Retiree Health Care Fund. For the year ended June 30, 2012, the County paid for coverage for 41 retirees at a total cost of \$247,720. The County made no contributions to the Trust during the year ended June 30, 2012.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The County pays postemployment health insurance benefits (normal cost) from the Retiree Health Care Fund, not from the Trust.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

9. **Other postemployment benefits (continued)**

Caroline County (continued)

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

Annual required contribution (ARC)	\$ 475,000
Interest on net OPEB obligation	(169,000)
<u>Adjustment to annual required contribution</u>	<u>212,000</u>
Annual OPEB cost	518,000
Contributions - pay as you go	(247,720)
Contributions - trust	-
Decrease in net OPEB prepaid	270,280
<u>Net OPEB obligation/(prepaid) at beginning of year</u>	<u>(2,817,611)</u>
<u>Net OPEB obligation/(prepaid) at end of year</u>	<u>\$ (2,547,331)</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation/ (Prepaid)
2010	\$ 540,830	42.32%	\$ (2,960,687)
2011	\$ 509,807	71.94%	\$ (2,817,611)
2012	\$ 518,000	47.82%	\$ (2,547,331)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$7,115,000, and the actuarial value of assets was \$4,036,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,079,000. The covered payroll (annual payroll of active employees covered by the plan) was \$7,060,145, and the ratio of the UAAL to the covered payroll was 43.61 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Other postemployment benefits (continued)

Caroline County (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age normal cost, level dollar actuarial method was used. The actuarial assumptions included a 6.0 percent investment rate of return. The projected annual healthcare cost trend rate is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years. The UAAL is being amortized over a closed period of 24 years from July 1, 2011.

Board of Education of Caroline County

Plan Description

The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Board. The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, age 62 with 5 years of service, and 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of November 1, 2011, the census date of the last actuarial valuation, approximately 307 retirees and their beneficiaries were receiving benefits, and an estimated 632 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board provides dental and basic major medical insurance (Medicare supplemental program for those over 65) for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees and to make such coverage available on a 100% reimbursement basis for dependents, spouses and non-eligible retirees. Eligible retirees are teachers who are under 65 years old and retired after July 1, 1977 with five years service in Caroline County and classified employees who are under 65 years old and retired after July 1, 1981 with five years service in Caroline County. At age 65, eligible retirees with at least fifteen

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Other postemployment benefits (continued)

Board of Education of Caroline County (continued)

Funding Policy (continued)

years of service will receive free Medicare Supplementary Program coverage, up to the dollar amount of the current individual insurance allowance. The Board pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2012, the Board paid for coverage of 297 retirees at a total cost to the Board of \$1,590,514.

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement Number 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statements 43 and 45.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The Chief Operating Officer and the Comptroller are the trustees of the Trust with final authority in all matters pertaining to the Trust.

In May 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland, to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member Trustee who is a trustee of the member trust. The member trustee of the MABE Pool shall ensure that the MABE Pool keeps such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective Financial Report using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. The Pool issues a publicly available audited report. The report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to any entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

9. **Other postemployment benefits (continued)**

Board of Education of Caroline County (continued)

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefits (OPEB) cost is calculated based on the Annual Required Contributions (ARC), an amount actuarially determined within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The net OPEB obligation at the beginning of the fiscal year is \$12,919,609. The Board pays post retirement medical benefits (normal cost) from the General Fund, not from the Trust.

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

Annual required contribution (ARC)	\$ 6,419,000
Adjustment to annual required contribution	(12,000)
<hr/>	
Annual OPEB cost	6,407,000
Payments to retirees from general fund	(1,550,514)
<hr/>	
Increase in net OPEB obligation	4,856,486
Net OPEB obligation at beginning of year	12,919,609
<hr/>	
Net OPEB obligation at end of year	\$ 17,776,095
<hr/>	

The Board's OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2010	\$ 6,032,000	24.63%	\$ 8,726,415
2011	\$ 6,032,000	30.48%	\$12,919,609
2012	\$ 6,407,000	24.20%	\$17,776,095

Funding Status and Funding Progress

As of November 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$79 million with \$279,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$78.8 million. The annual payroll of active employees covered by the Plan was \$35 million and the ratio of the UAAL to covered payroll was 44.9%. As of June 30, 2012, there were \$607 thousand in net assets.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Other postemployment benefits (continued)

Board of Education of Caroline County (continued)

Funding Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designated to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of net assets, consistent with the long-term perspective of the calculations.

In the November 1, 2011 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions included a 4% investment return per annum. The projected annual healthcare cost trend rate is 7% initially, reduced by decrements to an ultimate rate of 3.8%. The UAAL is being amortized over twenty-seven years based on a level percentage of projected payrolls.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

10. Fiduciary segment Information

Following are a combining Statement of Net Assets and Statement of Changes in Net Assets for all County administered employee benefit plans:

	Employee Benefit Trusts				Totals
	Employees' Pension Plan	LOSAP	OPEB Trust	Retiree Health Care	
ASSETS:					
Cash and cash equivalents	\$ 415,698	\$ 525,924	\$ 42,865	\$ 29,260	\$ 1,013,747
Investments at fair value:					
Fixed income	6,457,964	-	2,976,084	-	9,434,048
Equity funds	7,923,022	-	1,061,979	-	8,985,001
Total investments at fair value	14,380,986	-	4,038,063	-	18,419,049
Total assets	14,796,684	525,924	4,080,928	29,260	19,432,796
LIABILITIES:					
Accounts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to participants	-	-	-	-	-
Total liabilities	-	-	-	-	-
NET ASSETS:					
Held in trust for participants	\$ 14,796,684	\$ 525,924	\$ 4,080,928	\$ 29,260	\$ 19,432,796
Additions:					
Contributions:					
Plan sponsor	\$ 875,000	\$ -	\$ -	\$ 127,439	\$ 1,002,439
Employee	-	-	-	50,151	50,151
Net realized gain on sale of securities	-	-	96,976	-	96,976
Interest, dividends and gains	549,719	5,608	142,662	81	698,090
Total additions	1,424,719	5,608	239,658	177,671	1,847,656
Deductions:					
Benefits paid	902,003	105,502	-	163,756	1,171,261
Transfers out	-	(110,000)	211,938	-	101,938
Administrative fees	56,627	-	12,342	33,456	102,425
Unrealized depreciation in asset value	546,370	-	(29,520)	-	516,850
Total deductions	1,506,000	(4,498)	194,760	197,212	1,892,474
Change in net assets	(80,281)	10,106	44,898	(19,541)	(44,818)
Net assets, beginning of year	14,876,965	515,818	4,036,030	48,801	19,477,614
Net assets, end of year	\$ 14,796,684	\$ 525,924	\$ 4,080,928	\$ 29,260	\$ 19,432,796

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

11. Leases

Excluding Board of Education

The County has several operating leases for office space, office equipment and site rental. Lease payments for the fiscal year ended June 30, 2012 totaled \$97,920. These leases expire at various dates through 2017.

At June 30, 2012, the County has contractual agreements requiring the following annual rental payments:

Fiscal Year Ending June 30

2013	\$	82,217
2014		56,724
2015		38,953
2016		11,916
2017		3,507
		<hr/>
	\$	<u>193,317</u>

The County has entered into a lease with the Maryland Rural Development Corporation for building space in Greensboro, Maryland. The property is being used by the Library for its North County branch. This lease requires monthly payments beginning April 1, 1996 of \$1,142 until March 31, 2025. The Library will pay these amounts from funds appropriated to it from the County. The lease may be renewed at expiration with no obligation for future rent. Total lease payments paid during the year ended June 30, 2012 were \$13,704.

Future minimum lease payments over the next five years are as follows:

Fiscal Year Ending June 30

2013	\$	13,704
2014		13,704
2015		13,704
2016		13,704
2017		13,704

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

11. **Leases (continued)**

Board of Education

The Board has entered into non-cancelable leases which transfer ownership at the end of the lease. Thus, the Board has recorded the lease obligations and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2012 consist of the following:

Building lease, bank, non-cancelable unless funds are not appropriated; interest at 5.1%; payable in annual installments of \$80,924, including interest through 2018	\$ 409,437
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017	450,702
Vehicle lease, interest at 5%; payable in semiannual installments of \$38,289, including interest through 2012	37,453
Vehicle lease, interest at 6.35%; payable in monthly installments of \$876 through July 2011 and \$729 through July 2012, including interest through 2012	725
Vehicle lease, interest at 6.4%; payable in monthly installments of \$803 through August 2012 and \$1,114 through August 2013, including interest through 2012	13,645
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025	2,841,000
	\$ 3,752,962

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

11. Leases (continued)

Board of Education

Future minimum lease payments under these capital leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2013	\$ 436,271
2014	395,819
2015	422,257
2016	434,996
2017	445,516
2018 - 2022	2,001,999
2023 - 2027	596,192
	4,733,050
Less amounts representing interest	980,088
Present value of net minimum lease payments	\$ 3,752,962

Interest expense on the above capital leases was approximately \$171,700 for the year ended June 30, 2012.

The following is a summary of the changes in capital leases for the year ended June 30, 2012:

	<u>July 01, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2012</u>
Capital leases (i)	\$ 4,227,928	\$ -	\$ 474,966	\$ 3,752,962

(i) - On the government wide statements, beginning net assets and beginning capital leases have been restated by \$500,000.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$5,899,349 and the related accumulated depreciation was \$915,791 at June 30, 2012.

The Board leases administrative copy machines and computer equipment over a five-year term. These leases are classified as operating leases.

Approximate future minimum lease commitments are as follows:

<u>Fiscal Year Ending June 30</u>	
2013	\$ 311,000
2014	216,000
2015	204,000
2016	100,000
2017	42,000
2018	10,000

Rent expense under these leases totaled approximately \$247,000 for the year ended June 30, 2012.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

12. 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 natural disasters. The County has joined the Local Government Insurance Trust (LGIT) to handle potential losses. LGIT is a consortium of Maryland local governments, created to provide insurance coverage and services to Maryland local government. The County continues to carry commercial insurance for all other risks of loss, including worker's compensation and employees' health and accident insurance. The County purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The County is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to the Alliance to cover potential shortfalls, are 8% of total premiums. Currently, the Alliance keeps on hand 16% as a recommended conservative reserve. All funds held by the Alliance are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Subscribers of coverage by LGIT share in the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. The County may be required to make additional assessments from time to time. These amounts would be recorded as an expenditure when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

13. Landfill closure and postclosure care costs

The County has a 24.72% financial interest in Mid-Shore Regional Solid Waste Facility, which is owned and operated by Maryland Environmental Service (MES). The Landfills are located on the eastern shore and is shared by four counties. Under the Waste Disposal Service Agreement between MES and the County, in the event expenditures should exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest, however, to date additional funding from the County has not been required nor does management anticipate it.

In December 2010 the Mid-shore I landfill located in Talbot County accepted its last trash and in January 2011 the Mid-shore II landfill was opened for commercial business. As of June 30, 2012, total closure and post closure care costs were estimated at approximately \$23.5 million, with approximately \$5.8 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2012, a portion of these costs, \$9.6 million, determined by the estimated useful life of the Landfills.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. Landfill closure and postclosure care costs (continued)

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2011. MES expects to satisfy these requirements as of June 30, 2012 using the same criteria.

Due to inflation and changes in technology, laws, and regulations, estimated closure and post closure care costs may change in the future. Financial Statements of the Landfill can be obtained from MES located at 259 Najoles Road, Millersville, MD 21108.

14. Commitments and contingencies

Legal actions

There are various claims and suits pending against the County that arise in the normal course of the County's activities. In the opinion of legal counsel and management, the ultimate disposition of these various claims and suits will have no material adverse effect on the financial position of the County.

Federal and state funding

The County receives a substantial amount of federal and state funding. A significant reduction in the current level of funding, if it were to occur, may have an effect on the County's programs and services.

Contingent liability

The County has guaranteed a mortgage made by the Caroline County Humane Society, Inc. In the event of a default by the Humane Society in the timely payment of its obligations under the mortgage, the County has agreed to make such payments as may be due following a notice of default to the County.

15. Required fund disclosures

The Commissary Account Fund had expenditures exceed revenues by \$22,484 for the year ended June 30, 2012 and ended the year with an ending fund balance deficit of \$5,433.



Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes – property:				
Real and personal property, net	\$ 23,573,000	\$ 23,573,000	\$ 23,636,271	\$ 63,271
Penalties, interest and fees	300,000	300,000	295,752	(4,248)
Total taxes - property	23,873,000	23,873,000	23,932,023	59,023
Taxes – income	10,300,000	10,300,000	11,088,210	788,210
Taxes – other local:				
Recordation	1,200,000	1,200,000	977,234	(222,766)
Franchise tax	136,000	136,000	138,718	2,718
Mobile home	82,000	82,000	72,833	(9,167)
Total taxes – other local	1,418,000	1,418,000	1,188,785	(229,215)
Taxes – state-shared:				
Highway users	195,267	195,267	195,215	(52)
Licenses and permits:				
Liquor	68,000	68,000	67,802	(198)
Traders license	22,000	22,000	20,985	(1,015)
Building permits	103,000	103,000	68,608	(34,392)
Other	14,500	14,500	8,950	(5,550)
Total licenses and permits	207,500	207,500	166,345	(41,155)
Intergovernmental revenue:				
Grants from federal government:				
Emergency management	67,000	67,000	67,113	113
MDA soil conservation grant	55,506	55,506	54,651	(855)
Other federal grants	1,000	1,000	3,804	2,804
Temporary food assistance	5,000	5,000	7,800	2,800
MFS soil conservation	43,158	43,158	-	(43,158)
Federal disaster aid	-	-	282,383	282,383
Adult drug court grant	125,173	125,173	89,004	(36,169)
Incremental grant	45,000	45,000	38,316	(6,684)
Total grants from federal government	341,837	341,837	543,071	201,234

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues (continued):</u>				
Grants from state government:				
Equity grant	\$ 2,131,782	\$ 2,131,782	\$ 2,131,782	\$ -
Police protection	100,000	100,000	107,710	7,710
Tobacco and Teen Court	55,401	55,401	51,313	(4,088)
Family services grant	163,350	163,350	151,357	(11,993)
Juvenile Drug Court	62,306	62,306	58,496	(3,810)
Fire companies	206,536	206,536	208,628	2,092
Other	115,078	115,078	123,195	8,117
Total grants from state government	2,834,453	2,834,453	2,832,481	(1,972)
Other Grants:				
School Resource Officer Grant	140,000	140,000	140,091	91
Other Grants	-	-	21,204	21,204
Total other grants	140,000	140,000	161,295	21,295
Charges for services:				
General government	256,949	256,949	212,614	(44,335)
Public safety	435,000	435,000	329,791	(105,209)
Public works	129,000	129,000	173,679	44,679
Recreation charges	57,180	57,180	57,563	383
Health	10,000	10,000	10,242	242
Weed control	18,000	18,000	9,454	(8,546)
Total charges for services	906,129	906,129	793,343	(112,786)
Miscellaneous revenues:				
Interest	10,000	10,000	4,808	(5,192)
Rents	36,000	36,000	27,430	(8,570)
Municipal infrastructure	23,046	23,046	23,046	-
Other	-	-	30,836	30,836
Total miscellaneous revenues	69,046	69,046	86,120	17,074
Total revenues - General Fund	\$ 40,285,232	\$ 40,285,232	\$ 40,986,888	\$ 701,656

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures:				
General government:				
County commissioners	\$ 506,683	\$ 506,797	\$ 502,051	\$ (4,746)
Ethics commission	200	200	-	(200)
Juvenile inter government grant	15,000	15,000	15,000	-
Judicial:				
Drug Court	125,173	125,173	89,004	(36,169)
Juvenile Drug Court	62,306	62,306	58,188	(4,118)
Family services grant	181,017	181,017	170,358	(10,661)
Circuit Court	273,789	274,845	273,777	(1,068)
Orphan's Court	17,995	17,995	18,188	193
State's attorney	698,825	699,485	717,291	17,806
Total judicial	1,359,105	1,360,821	1,326,804	(34,017)
Elections	312,080	312,080	374,110	62,030
State department of assessments	245,000	245,000	245,176	176
Tax Office	274,719	274,899	266,198	(8,701)
Office of Finance	279,055	279,240	270,885	(8,355)
Legal services	181,980	182,373	218,033	35,660
Office of Human Resources	514,119	514,211	486,536	(27,675)
Planning and codes administration	706,653	707,316	687,522	(19,794)
General services	167,408	150,826	107,038	(43,788)
Town planning grants	12,500	12,500	12,500	-
Office of Technology	339,893	340,207	339,506	(701)
Total general government	4,914,395	4,901,470	4,851,359	(50,111)
Public safety:				
Sheriff's department	2,529,737	2,530,051	2,434,904	(95,147)
Courthouse security	254,740	254,740	232,837	(21,903)
School Resource Officer	188,215	188,215	183,613	(4,602)
Tobacco and Teen Court Program	55,401	55,401	55,732	331
Adult offender Comm. Service	30,720	30,720	30,720	-
Fire protection	1,415,499	1,415,499	1,417,591	2,092
Corrections	3,163,662	3,165,703	3,247,699	81,996
Emergency Services - admin.	231,079	231,734	226,510	(5,224)
Emergency Services - communicat.	1,242,995	1,242,995	1,174,141	(68,854)
Emergency Services - med services	2,198,827	2,203,223	2,313,255	110,032
Emergency Services - risk mgmt.	119,072	122,138	123,272	1,134
Animal control	275,000	275,000	275,000	-
Liquor licensing	17,170	17,170	9,737	(7,433)
Total public safety	11,722,117	11,732,589	11,725,011	(7,578)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Expenditures (continued):</u>				
Public works:				
Administration	\$ 489,241	\$ 490,395	\$ 559,979	\$ 69,584
Central shop	599,447	599,447	565,084	(34,363)
Solid waste disposal	429,928	429,928	362,876	(67,052)
Johnsongrass	74,165	74,165	55,728	(18,437)
Mosquito control	65,830	65,830	71,534	5,704
Roads	1,386,634	1,386,634	1,429,146	42,512
County buildings	523,742	523,742	479,275	(44,467)
Total public works	3,568,987	3,570,141	3,523,622	(46,519)
Health:				
Health Department	377,903	377,903	377,903	-
Other	74,945	74,945	74,935	(10)
Total health	452,848	452,848	452,838	(10)
Social services	131,362	131,362	133,412	2,050
Education:				
Primary education	12,299,444	12,299,444	12,299,444	-
Chesapeake College	1,478,104	1,478,104	1,478,104	-
Culinary school	2,500	2,500	2,500	-
Total education	13,780,048	13,780,048	13,780,048	-
Public library	1,100,000	1,100,000	1,100,000	-
Recreation and parks	800,838	802,137	742,268	(59,869)
Arts	5,000	5,000	5,000	-
Conservation of natural resources	335,242	335,242	290,726	(44,516)
Economic development	242,850	242,850	242,850	-
Contingency	142,580	142,580	40,863	(101,717)
Debt service:				
Principal	3,089,405	3,089,405	3,081,118	(8,287)
Interest	1,126,266	1,126,266	1,118,515	(7,751)
Total debt service	4,215,671	4,215,671	4,199,633	(16,038)
Total expenditures – General Fund	41,411,938	41,411,938	41,087,630	(324,308)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Other financing sources (uses):</u>				
Transfer in from:				
Educational facilities	\$ 100,000	\$ 100,000	\$ 100,000	-
Fire service calls	-	-	35,341	35,341
Basic life support	575,000	575,000	639,835	64,835
Capital reserve	450,000	450,000	-	(450,000)
State agricultural land preservation	20,000	20,000	20,000	-
OPEB trust	202,500	202,500	211,938	9,438
Transfer out to:				
4-H park	(29,794)	(29,794)	(29,794)	-
Capital improvements	(73,000)	(73,000)	(73,000)	-
Retiree health care	(118,000)	(118,000)	(127,439)	9,439
<hr/>				
Total other financing sources (uses) – General Fund	1,126,706	1,126,706	776,881	(349,825)
<hr/>				
Total expenditures and other financing sources (uses)	40,285,232	40,285,232	40,310,749	25,517
<hr/>				
Net change in fund balances	\$ -	\$ -	\$ 676,139	\$ 676,139

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE GRANTS FUND
 YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues	\$ 1,422,510	\$ 1,422,510	\$ 939,976	\$ (482,534)
Expenditures:				
Economic development	1,422,510	1,422,510	939,976	(482,534)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

SCHEDULE OF FUNDING PROGRESS - CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN

June 30, 2012

Valuation Date	(a) Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded as a Percent of Payroll
July 1, 2011	\$ 14,105,253	\$ 21,620,665	\$ 7,515,412	65.24%	\$ 7,060,145 (b)	106.45%
July 1, 2010	\$ 14,195,237	\$ 19,709,260	\$ 5,514,023	72.02%	\$ 7,101,829 (b)	77.64%
July 1, 2009	\$ 14,016,282	\$ 17,363,359	\$ 3,347,077	80.72%	\$ 7,937,968 (b)	42.17%
July 1, 2008	\$ 13,583,409	\$ 18,425,556	\$ 4,842,147	73.72%	\$ 9,323,986 (b)	51.93%
July 1, 2007	\$ 11,904,279	\$ 16,976,810	\$ 5,072,531	70.12%	\$ 9,191,745 (b)	55.19%
July 1, 2006	\$ 9,897,605	\$ 15,409,505	\$ 5,511,900	64.23%	\$ 8,520,406 (b)	64.69%
July 1, 2005	\$ 7,917,091	\$ 13,514,678	\$ 5,597,587	58.58%	\$ 7,103,488 (b)	78.80%
July 1, 2004	\$ 7,326,327	\$ 11,593,642	\$ 4,267,315	63.19%	\$ 6,543,269 (b)	65.22%
July 1, 2003	\$ 7,062,092	\$ 10,295,609	\$ 3,213,517	68.79%	\$ 6,397,204 (b)	50.23%
July 1, 2002	\$ 6,737,744	\$ 8,157,363	\$ 1,419,619	82.60%	\$ 5,520,419	25.72%

(a) Assets are valued at actuarial assets.

(b) Includes payroll of employees with less than one year's service who are excluded from valuation.

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

SCHEDULE OF EMPLOYER CONTRIBUTIONS-
CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN
June 30, 2012

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Shortfall / (Excess)
2003	\$ 430,436	\$ 500,000	\$ (69,564)
2004	\$ 602,272	\$ 570,000	\$ 32,272
2005	\$ 740,178	\$ 667,200	\$ 72,978
2006	\$ 902,230	\$ 2,000,000	\$ (1,097,770)
2007	\$ 985,884	\$ 1,500,000	\$ (514,116)
2008	\$ 1,007,677	\$ 1,500,000	\$ (492,323)
2009	\$ 998,878	\$ 1,586,832 (a)	\$ (587,954)
2010	\$ 788,301	\$ 778,000	\$ 10,301
2011	\$ 934,567	\$ 775,000	\$ 159,567
2012	\$ 1,121,819	\$ 875,000	\$ 246,819

(a) Includes \$387,832 sent to Maryland State LEOPS Plan in lieu of transfer from county plan for sworn officers' transferring on 7/1/09.

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
OTHER POSTEMPLOYMENT BENEFIT PLAN - FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

June 30, 2012

The County's Other Postemployment Benefit Plan (OPEB Plan) is administered through the Caroline County Postemployment Benefits Trust Fund as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health coverage to current and eligible future retirees. Only County employees and their surviving spouses and dependents with at least 20 years of service with the County and entitled to receive retirement benefits, are eligible to receive post-retirement health insurance benefits under the subsidy schedule used in the July 1, 2011 valuation.

The following schedules present the County's actuarially determined funding progress and required contributions for the Caroline County Other Postemployment Benefits Trust Fund.

Schedule of Funding Progress for the Other Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 3,844,551	\$ 7,435,042	\$ 3,590,491	51.71%	\$ 8,577,564	41.86%
July 1, 2010	\$ 4,046,468	\$ 7,779,640	\$ 3,733,172	52.01%	\$ 8,494,413	43.95%
July 1, 2011	\$ 4,036,000	\$ 7,115,000	\$ 3,079,000	56.73%	\$ 7,060,145	43.61%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2010	\$ 540,830	\$ 228,897	42.32%	\$ (2,960,687)
June 30, 2011	\$ 509,807	\$ 366,731	71.94%	\$ (2,817,611)
June 30, 2012	\$ 518,000	\$ 247,720	47.82%	\$ (2,547,331)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

1. **Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for most funds of the County, except fiduciary funds. A legal budget is not adopted for the OJP Grant Law Enforcement, Dayspring Townhomes, MEAF Revolving Loan and Revolving Loan. The budgetary financial schedules included in required supplementary information include the General Fund and Special Grants Fund, a major special revenue fund, as required. Budgetary comparison schedules for all annually budgeted Special Revenue and Capital Projects Funds are included in Other Supplementary Information. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2012.



Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds							Local Agricultural Land Preservation
	4-H Park	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan	Dog Licenses		
ASSETS:								
Cash and cash equivalents	\$ 19,567	\$ -	\$ -	\$ 63,641	\$ 139,531	\$ 141	\$ 18,950	
Accounts receivable	-	7,321	128,752	152,088	11,941	-	-	
Due from other funds	-	507	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	
Total assets	\$ 19,567	\$ 7,828	\$ 128,752	\$ 215,729	\$ 151,472	\$ 141	\$ 18,950	

LIABILITIES AND FUND BALANCES:

Liabilities:								
Accounts payable	\$ 1,582	\$ 1,116	\$ 11,393	\$ -	\$ -	\$ 141	\$ -	
Due to other funds	-	-	117,359	-	-	-	-	
Due to other governments	-	-	-	-	-	-	-	
Deferred revenues	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	-	
Total liabilities	1,582	1,116	128,752	-	-	141	-	
Fund balances:								
Non-spendable	-	-	-	-	-	-	-	
Restricted	-	6,712	-	215,729	151,472	-	-	
Committed	-	-	-	-	-	-	18,950	
Assigned	17,985	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	
Total fund balances (deficit)	17,985	6,712	-	215,729	151,472	-	18,950	
Total liabilities and fund balances	\$ 19,567	\$ 7,828	\$ 128,752	\$ 215,729	\$ 151,472	\$ 141	\$ 18,950	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2012

	Special Revenue Funds							
	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library	Critical Area Forestry	Forest Conservation	Emergency Management Grant	
ASSETS:								
Cash and cash equivalents	\$ 124,926	\$ 15,609	\$ 212	\$ 57,908	\$ 11,243	\$ 22,776	\$ -	
Accounts receivable	-	-	3,883	4,066	-	-	-	141,774
Due from other funds	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total assets	\$ 124,926	\$ 15,609	\$ 4,095	\$ 61,974	\$ 11,243	\$ 22,776	\$ 141,774	
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 9,528	\$ 1,995	\$ -	\$ -	\$ -	3,841
Due to other funds	-	-	-	-	-	-	-	135,115
Due to other governments	4,652	-	-	-	-	-	-	-
Deferred revenues	-	10,114	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	4,652	10,114	9,528	1,995	-	-	-	138,956
Fund balances:								
Non-spendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	59,979	-	-	-	2,818
Committed	120,274	-	-	-	11,243	22,776	-	-
Assigned	-	5,495	-	-	-	-	-	-
Unassigned	-	-	(5,433)	-	-	-	-	-
Total fund balances (deficit)	120,274	5,495	(5,433)	59,979	11,243	22,776	2,818	
Total liabilities and fund balances	\$ 124,926	\$ 15,609	\$ 4,095	\$ 61,974	\$ 11,243	\$ 22,776	\$ 141,774	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2012

	Special Revenue Funds			
	Business and Tech Park	Drug Task Force	Dayspring Townhomes	
ASSETS:				
Cash and cash equivalents	\$ 69,925	\$ 174,307	\$	57,993
Accounts receivable	-	-	-	8,120
Due from other funds	-	-	-	-
Other assets	-	-	-	634,468
Total assets	\$ 69,925	\$ 174,307	\$	700,581

LIABILITIES AND FUND BALANCES:

Liabilities:				
Accounts payable	\$ 239	\$ 1,777	\$	17,220
Due to other funds	-	4,906	-	-
Due to other governments	-	-	-	-
Deferred revenues	-	-	-	-
Other liabilities	-	-	-	26,694
Total liabilities	239	6,683		43,914
Fund balances:				
Non-spendable	-	-	-	-
Restricted	-	167,624	656,667	-
Committed	-	-	-	-
Assigned	69,686	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	69,686	167,624	656,667	
Total liabilities and fund balances	\$ 69,925	\$ 174,307	\$	700,581

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2012

	Capital Projects Fund	Educational Facilities	Totals
ASSETS:			
Cash and cash equivalents	\$ 2,999	\$ -	\$ 779,728
Accounts receivable	-	-	457,945
Due from other funds	-	-	507
Other assets	-	-	634,468
Total assets	\$ 2,999	\$ -	\$ 1,872,648

LIABILITIES AND FUND BALANCES:

Liabilities:			
Accounts payable	\$ -	\$ -	48,832
Due to other funds	-	-	257,380
Due to other governments	-	-	4,652
Deferred revenues	-	-	10,114
Other liabilities	-	-	26,694
Total liabilities	-	-	347,672
Fund balances:			
Non-spendable	-	-	-
Restricted	-	-	1,261,001
Committed	2,999	-	176,242
Assigned	-	-	93,166
Unassigned	-	-	(5,433)
Total fund balances (deficit)	2,999	-	1,524,976
Total liabilities and fund balances	\$ 2,999	\$ -	\$ 1,872,648

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2012

	Special Revenue Funds						
	4-H Park	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan	Dog Licenses	Local Agricultural Land Preservation
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500
Licenses and permits	-	-	-	-	-	243	-
Intergovernmental revenues	-	34,582	131,299	-	-	-	-
Miscellaneous revenues	14,028	-	-	7,543	581	-	-
Total revenues	14,028	34,582	131,299	7,543	581	243	4,500
Expenditures:							
General government	-	-	-	-	-	-	25,736
Public safety	-	28,130	-	-	-	243	-
Recreation and culture	31,042	-	-	-	-	-	-
Economic development	-	-	131,299	-	-	-	-
Total expenditures	31,042	28,130	131,299	-	-	243	25,736
Excess (deficiency) of revenues over expenditures	(17,014)	6,452	-	7,543	581	-	(21,236)
Other financing sources (uses):							
Transfers in (out)	29,794	-	-	-	-	-	-
Total other financing sources (uses)	29,794	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	12,780	6,452	-	7,543	581	-	(21,236)
Fund balances (deficit), beginning	5,205	260	-	208,186	150,891	-	40,186
Fund balances (deficit), ending	\$ 17,985	\$ 6,712	\$ -	\$ 215,729	\$ 151,472	\$ -	\$ 18,950

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED June 30, 2012

	Special Revenue Funds						
	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library	Critical Area Forestry	Forest Conservation	Emergency Management Grant
Revenues:							
Taxes	\$ 12,954	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	223,737
Miscellaneous revenues	-	38,722	160,707	9,920	53	-	-
Total revenues	12,954	38,722	160,707	9,920	53	-	223,737
Expenditures:							
General government	13,694	-	-	22,312	-	5,219	-
Public safety	-	-	183,191	-	-	-	219,789
Recreation and culture	-	38,524	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total expenditures	13,694	38,524	183,191	22,312	-	5,219	219,789
Excess (deficiency) of revenues over expenditures	(740)	198	(22,484)	(12,392)	53	(5,219)	3,948
Other financing sources (uses):							
Transfers in (out)	(20,000)	-	-	-	-	-	-
Total other financing sources (uses)	(20,000)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(20,740)	198	(22,484)	(12,392)	53	(5,219)	3,948
Fund balances (deficit), beginning	141,014	5,297	17,051	72,371	11,190	27,995	(1,130)
Fund balances (deficit), ending	\$ 120,274	\$ 5,495	\$ (5,433)	\$ 59,979	\$ 11,243	\$ 22,776	\$ 2,818

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED June 30, 2012

	Special Revenue Funds			
	Business and Tech Park	Drug Task Force	Dayspring Townhomes	
Revenues:				
Taxes	\$ -	\$ -	\$ -	-
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	-
Miscellaneous revenues	-	41,397	301,373	301,373
Total revenues	-	41,397	301,373	301,373
Expenditures:				
General government	-	-	268,574	268,574
Public safety	-	76,942	-	-
Recreation and culture	-	-	-	-
Economic development	3,407	-	-	-
Total expenditures	3,407	76,942	268,574	268,574
Excess (deficiency) of revenues over expenditures	(3,407)	(35,545)	32,799	32,799
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,407)	(35,545)	32,799	32,799
Fund balances (deficit), beginning	73,093	203,169	623,868	623,868
Fund balances (deficit), ending	\$ 69,686	\$ 167,624	\$ 656,667	\$ 656,667

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED June 30, 2012

	Capital Projects Fund	Educational Facilities	Totals
Revenues:			
Taxes	\$ 46,208	\$	63,662
Licenses and permits	-	-	243
Intergovernmental revenues	-	-	389,618
Miscellaneous	-	-	574,324
Total revenues	46,208		1,027,847
Expenditures:			
General government	-	-	335,535
Public safety	-	-	508,295
Recreation and culture	-	-	69,566
Economic development	-	-	134,706
Total expenditures	-		1,048,102
Excess (deficiency) of revenues over expenditures	46,208		(20,255)
Other financing sources (uses):			
Transfers in (out)		(100,000)	(90,206)
Total other financing sources (uses)		(100,000)	(90,206)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)		(53,792)	(110,461)
Fund balances (deficit), beginning	56,791		1,535,437
Fund balances (deficit), ending	\$ 2,999	\$	1,524,976

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2012

	AGENCY										Totals
	State Property Tax Fund	Town Property Tax Fund	Hotel Rental Tax	Tax Sale Proceeds Fund	Inmate Account	Confiscated Properties Fund	Bay Restoration Fund	Public Drainage Association	Home Builder Guaranty Fund		
ASSETS:											
Cash and cash equivalents	\$ 43,619	\$ 66,277	\$ 3,002	\$ 28,115	\$ 2,392	\$ 36,822	\$ 18,007	\$ 369,981	\$ 200	\$ 568,415	
Taxes and other receivables	12,035	22,124	-	-	-	-	-	-	-	34,159	
Total assets	\$ 55,654	\$ 88,401	\$ 3,002	\$ 28,115	\$ 2,392	\$ 36,822	\$ 18,007	\$ 369,981	\$ 200	\$ 602,574	
LIABILITIES:											
Accounts payable	-	-	3,002	28,031	-	36,822	-	-	-	\$ 67,855	
Due to property owners	-	-	-	-	-	-	-	369,981	-	369,981	
Due to other funds	-	-	-	84	-	-	-	-	-	84	
Due to other governments	55,654	88,401	-	-	-	-	18,007	-	200	162,262	
Due to participants	-	-	-	-	2,392	-	-	-	-	2,392	
Total liabilities	\$ 55,654	\$ 88,401	\$ 3,002	\$ 28,115	\$ 2,392	\$ 36,822	\$ 18,007	\$ 369,981	\$ 200	\$ 602,574	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2012

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
State Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 61,663	\$ 2,782,091	\$ 2,800,135	\$ 43,619
Taxes and other receivables	9,895	3,184,885	3,182,745	12,035
Total assets	\$ 71,558	\$ 5,966,976	\$ 5,982,880	\$ 55,654
Liabilities:				
Due to other governments	\$ 71,558	\$ 3,184,885	\$ 3,200,789	\$ 55,654
Total liabilities	\$ 71,558	\$ 3,184,885	\$ 3,200,789	\$ 55,654
Town Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 139,631	\$ 5,047,819	\$ 5,121,173	\$ 66,277
Taxes and other receivables	26,057	4,999,020	5,002,953	22,124
Total assets	\$ 165,688	\$ 10,046,839	\$ 10,124,126	\$ 88,401
Liabilities:				
Due to other governments	\$ 165,688	\$ 4,999,020	\$ 5,076,307	\$ 88,401
Total liabilities	\$ 165,688	\$ 4,999,020	\$ 5,076,307	\$ 88,401
Hotel Rental Tax:				
Assets:				
Cash and cash equivalents	\$ 2,608	\$ 34,952	\$ 34,558	\$ 3,002
Total assets	\$ 2,608	\$ 34,952	\$ 34,558	\$ 3,002
Liabilities:				
Accounts payable	\$ 2,608	\$ 34,952	\$ 34,558	\$ 3,002
Total liabilities	\$ 2,608	\$ 34,952	\$ 34,558	\$ 3,002
Tax Sale Proceeds Fund:				
Assets:				
Cash and cash equivalents	\$ 33,454	\$ 931,490	\$ 936,829	\$ 28,115
Total assets	\$ 33,454	\$ 931,490	\$ 936,829	\$ 28,115
Liabilities:				
Accounts payable	\$ 33,271	\$ 931,406	\$ 936,646	\$ 28,031
Due to other funds	183	84	183	84
Total liabilities	\$ 33,454	\$ 931,490	\$ 936,829	\$ 28,115

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2012

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
Inmate Account:				
Assets:				
Cash and cash equivalents	\$ 15,512	\$ 141,974	\$ 155,094	\$ 2,392
Total assets	\$ 15,512	\$ 141,974	\$ 155,094	\$ 2,392
Liabilities:				
Due to participants	\$ 15,512	\$ 141,974	\$ 155,094	\$ 2,392
Total liabilities	\$ 15,512	\$ 141,974	\$ 155,094	\$ 2,392
Confiscated Properties Fund:				
Assets:				
Cash and cash equivalents	\$ 26,757	\$ 15,903	\$ 5,838	\$ 36,822
Total assets	\$ 26,757	\$ 15,903	\$ 5,838	\$ 36,822
Liabilities:				
Accounts payable	\$ 26,757	\$ 15,903	\$ 5,838	\$ 36,822
Total liabilities	\$ 26,757	\$ 15,903	\$ 5,838	\$ 36,822
Bay Restoration Fund:				
Assets:				
Cash and cash equivalents	\$ 19,088	\$ 254,330	\$ 255,411	\$ 18,007
Total assets	\$ 19,088	\$ 254,330	\$ 255,411	\$ 18,007
Liabilities:				
Due to other governments	\$ 19,088	\$ 254,330	\$ 255,411	\$ 18,007
Total liabilities	\$ 19,088	\$ 254,330	\$ 255,411	\$ 18,007
Public Drainage Association:				
Assets:				
Cash and cash equivalents	\$ 357,367	\$ 106,619	\$ 94,005	\$ 369,981
Total assets	\$ 357,367	\$ 106,619	\$ 94,005	\$ 369,981
Liabilities:				
Due to property owners	\$ 357,367	\$ 106,619	\$ 94,005	\$ 369,981
Total liabilities	\$ 357,367	\$ 106,619	\$ 94,005	\$ 369,981

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2012

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
Home Bullder Guaranty Fund				
Assets:				
Cash and cash equivalents	\$ 150	\$ 1,400	\$ 1,350	\$ 200
Total assets	\$ 150	\$ 1,400	\$ 1,350	\$ 200
Liabilities:				
Due to other governments	\$ 150	\$ 1,400	\$ 1,350	\$ 200
Total liabilities	\$ 150	\$ 1,400	\$ 1,350	\$ 200
Total Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 656,230	\$ 9,316,578	\$ 9,404,393	\$ 568,415
Taxes and other receivables	35,952	8,183,905	8,185,698	34,159
Total assets	\$ 692,182	\$ 17,500,483	\$ 17,590,091	\$ 602,574
Liabilities:				
Accounts payable	\$ 62,636	\$ 982,261	\$ 977,042	\$ 67,855
Due to property owners	357,367	106,619	94,005	369,981
Due to other funds	183	84	183	84
Due to other governments	256,484	8,439,635	8,533,857	162,262
Due to participants	15,512	141,974	155,094	2,382
Total liabilities	\$ 692,182	\$ 9,670,573	\$ 9,760,181	\$ 602,574

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET ASSETS
OTHER PROPRIETARY FUNDS

June 30, 2012

	Recreation Programs	Public Works	Totals
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 46,815	\$ 23,921	\$ 70,736
Accounts receivable	123,581	67,580	191,161
Total current assets	170,396	91,501	261,897
Noncurrent assets:			
Capital assets, net	-	29,353	29,353
Total assets	170,396	120,854	291,250
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	53,340	1,846	55,186
Deferred revenue	14,467	-	14,467
Current portion of long-term debt	-	-	-
Total current liabilities	67,807	1,846	69,653
Noncurrent liabilities:			
Long-term debt	-	-	-
Total liabilities	67,807	1,846	69,653
NET ASSETS:			
Invested in capital assets	-	29,353	29,353
Unrestricted	102,589	89,655	192,244
Total net assets	\$ 102,589	\$ 119,008	\$ 221,597

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2012

	Recreation Programs	Public Works	Totals
Operating revenues:			
Charges for services	\$ 167,309	\$ 863,618	\$ 1,030,927
Other income	467,053	-	467,053
Total operating revenues	634,362	863,618	1,497,980
Operating expenses:			
Personnel services	365,130	-	365,130
Operations and maintenance	316,689	814,263	1,130,952
Depreciation expense	-	497	497
Total operating expenses	681,819	814,760	1,496,579
Operating income (loss)	(47,457)	48,858	1,401
Change in net assets	(47,457)	48,858	1,401
Net assets, beginning of year	150,046	70,150	220,196
Net assets, end of year	\$ 102,589	\$ 119,008	\$ 221,597

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS -
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2012

	Recreation Programs	Public Works	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 164,296	\$ 886,797	\$ 1,051,093
Cash received other	467,053	-	467,053
Cash paid to suppliers	(305,462)	(835,222)	(1,140,684)
Cash paid to employees	(365,130)	-	(365,130)
Net cash provided (used) by operating activities	(39,243)	51,575	12,332
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	(29,850)	(29,850)
Net cash used in capital and related financing activities	-	(29,850)	(29,850)
Net increase (decrease) in cash and cash equivalents	(39,243)	21,725	(17,518)
Cash and cash equivalents, beginning of year	86,058	2,196	88,254
Cash and cash equivalents, end of year	\$ 46,815	\$ 23,921	\$ 70,736
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (47,457)	\$ 48,858	\$ 1,401
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	497	497
Decrease (increase) in accounts receivable	(6,657)	23,179	16,522
Decrease (increase) in prepaid expenses	1,000	-	1,000
Increase (decrease) in accounts payable	10,227	(20,959)	(10,732)
Increase (decrease) in deferred revenue	3,644	-	3,644
Net cash provided (used) by operating activities	\$ (39,243)	\$ 51,575	\$ 12,332

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND

YEAR ENDED June 30, 2012

	Original <u>Budget</u>	Final Budget	Actual	Variance With Final <u>Budget</u>
Revenues:				
Intergovernmental revenues	\$ 11,562,945	\$ 11,562,945	\$ 836,717	\$ (10,726,228)
Miscellaneous revenues	39,108	39,108	1,782	(37,326)
Total revenues	11,602,053	11,602,053	838,499	(10,763,554)
Expenditures:				
General government	9,628,000	9,628,000	253,180	(9,374,820)
Public safety	287,000	287,000	15,374	(271,626)
Public works	5,125,536	5,125,536	659,920	(4,465,616)
Primary education	1,701,793	1,701,793	1,627,683	(74,110)
Public Library	7,500	7,500	-	(7,500)
Recreation and parks	721,909	721,909	68,780	(655,129)
Conservation of natural resources	39,108	39,108	-	(39,108)
Total expenditures	17,510,846	17,510,846	2,622,937	(14,887,909)
Excess (deficiency) of revenues over expenditures	(5,908,793)	(5,908,793)	(1,784,438)	4,124,355
Other financing sources (uses):				
Transfers in (out)	185,000	185,000	73,000	(112,000)
Fund balance re-appropriated	35,000	35,000	-	(35,000)
Proceeds from issuance of debt	5,688,793	5,688,793	-	(5,688,793)
Proceeds from sale of capital assets	-	-	65,935	65,935
Total other financing sources (uses)	5,908,793	5,908,793	138,935	(5,769,858)
Net change in fund balances	\$ -	\$ -	\$ (1,645,503)	\$ (1,645,503)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – CAPITAL RESERVE FUND
 YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 283,609	\$ 283,609	\$ 304,602	\$ 20,993
Miscellaneous revenues	-	-	1,421	1,421
Total revenues	283,609	283,609	306,023	22,414
<u>Expenditures:</u>				
Public safety	-	-	13,842	13,842
Public works	126,831	126,831	772,879	646,048
Public Library	2,500	2,500	11,050	8,550
Total expenditures	129,331	129,331	797,771	668,440
Excess (deficiency) of revenues over expenditures	154,278	154,278	(491,748)	(646,026)
<u>Other financing sources (uses):</u>				
Fund balance re-appropriated	295,722	295,722	-	(295,722)
Transfers in (out)	(450,000)	(450,000)	-	450,000
Net change in fund balances	\$ -	\$ -	\$ (491,748)	\$ (491,748)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND
 YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes	\$ 100,000	\$ 100,000	\$ 46,208	\$ (53,792)
Total revenues	100,000	100,000	46,208	(53,792)
Expenditures				
Excess (deficiency) of revenues over expenditures	100,000	100,000	46,208	(53,792)
Other financing sources (uses):				
Transfers in (out)	(100,000)	(100,000)	(100,000)	-
Net change in fund balances	\$ -	\$ -	\$ (53,792)	\$ (53,792)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
4-H Park:				
Revenues:				
Miscellaneous revenues	\$ 12,946	\$ 12,946	\$ 14,028	\$ 1,082
Expenditures:				
Recreation and culture	42,740	42,740	31,042	(11,698)
Other financing sources(uses):				
Transfers in	29,794	29,794	29,794	-
Revenues over (under) expenditures	\$ -	\$ -	\$ 12,780	\$ 12,780
CDBG:				
Revenues:				
Intergovernmental revenues	\$ 120,000	\$ 120,000	\$ 131,299	\$ 11,299
Expenditures:				
Economic development	120,000	120,000	131,299	11,299
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Dog Licenses:				
Revenues:				
Licenses and permits	\$ 400	\$ 400	\$ 243	\$ (157)
Expenditures:				
Public safety	400	400	243	(157)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Local Agricultural Land Preservation:				
Revenues:				
Taxes	\$ 10,000	\$ 10,000	\$ 4,500	\$ (5,500)
Expenditures:				
General government	10,000	10,000	25,736	15,736
Revenues over (under) expenditures	\$ -	\$ -	\$ (21,236)	\$ (21,236)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
 (CONTINUED)

YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>State Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 12,954	\$ (17,046)
Expenditures:				
General government	10,000	10,000	13,694	3,694
Other financing sources(uses):				
Transfers out	(20,000)	(20,000)	(20,000)	-
Revenues over (under) expenditures	\$ -	\$ -	\$ (20,740)	\$ (20,740)
<u>Summerfest Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 36,500	\$ 36,500	\$ 38,722	2,222
Expenditures:				
Recreation and culture	36,500	36,500	38,524	2,024
Revenues over (under) expenditures	\$ -	\$ -	\$ 198	\$ 198
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 153,400	\$ 153,400	\$ 160,707	\$ 7,307
Expenditures:				
Public safety	153,400	153,400	183,191	29,791
Revenues over (under) expenditures	\$ -	\$ -	\$ (22,484)	\$ (22,484)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
 (CONTINUED)

YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 13,000	\$ 13,000	\$ 9,920	\$ (3,080)
Expenditures:				
General government	13,000	13,000	22,312	9,312
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,392)</u>	<u>\$ (12,392)</u>
<u>Critical Area Forestry:</u>				
Revenues:				
Miscellaneous revenues	\$ 2,000	\$ 2,000	\$ 53	\$ (1,947)
Expenditures:				
Miscellaneous	2,000	2,000	-	(2,000)
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 53</u>
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 7,500	\$ 7,500	-	\$ (7,500)
Expenditures:				
General government	7,500	7,500	5,219	(2,281)
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,219)</u>	<u>\$ (5,219)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
 (CONTINUED)

YEAR ENDED June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Emergency Management Grant:</u>				
Revenues:				
Intergovernmental revenues	\$ 227,848	\$ 227,848	\$ 223,737	\$ (4,111)
Expenditures:				
Public safety	227,848	227,848	219,789	(8,059)
Revenues over (under) expenditures	\$ -	\$ -	\$ 3,948	\$ 3,948
<u>Business & Technology Park Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 65,000	\$ 65,000	-	\$ (65,000)
Expenditures:				
Economic development	65,000	65,000	3,407	(61,593)
Revenues over (under) expenditures	\$ -	\$ -	\$ (3,407)	\$ (3,407)
<u>Drug Task Force:</u>				
Revenues:				
Miscellaneous revenues	\$ 90,803	\$ 90,803	\$ 41,397	(49,406)
Expenditures:				
Public safety	90,803	90,803	76,942	(13,861)
Revenues over (under) expenditures	\$ -	\$ -	\$ (35,545)	\$ (35,545)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS
YEAR ENDED June 30, 2012

Revenue:	
State-shared taxes	\$ 195,215
<hr/>	
Expenditures – public works:	
General administration	559,979
Central shop	565,084
Highways and roads	1,429,146
Debt service:	
Communications bond	60,090
Capital improvement bonds	169,699
General services	26,759
Capital road expenditures	670,573
<hr/>	
Total expenditures – highway users	3,481,330
<hr/>	
Excess (deficiency) of revenues over expenditures – highway users	\$ (3,286,115)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

EXPENDITURE DETAIL – CONTINGENCY FUND

ACTUAL VS. BUDGET

(INCLUDED IN GENERAL FUND)

YEAR ENDED June 30, 2012

<u>Budgeted line items:</u>	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance With Final Budget</u>
		<u>Original</u>	<u>Final</u>	
Housing Coordinator	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
<u>Non-budgeted line items:</u>				
Network switch	\$ 5,000			
Gas convection steamer	12,125			
Court transcripts	2,738			
DCS - Fuel supplement	15,000			
	34,863	136,580	136,580	101,717
Total expenditures – Contingency Fund	\$ 40,863	\$ 142,580	\$ 142,580	\$ 101,717



STATISTICAL SECTION

STATISTICAL SECTION

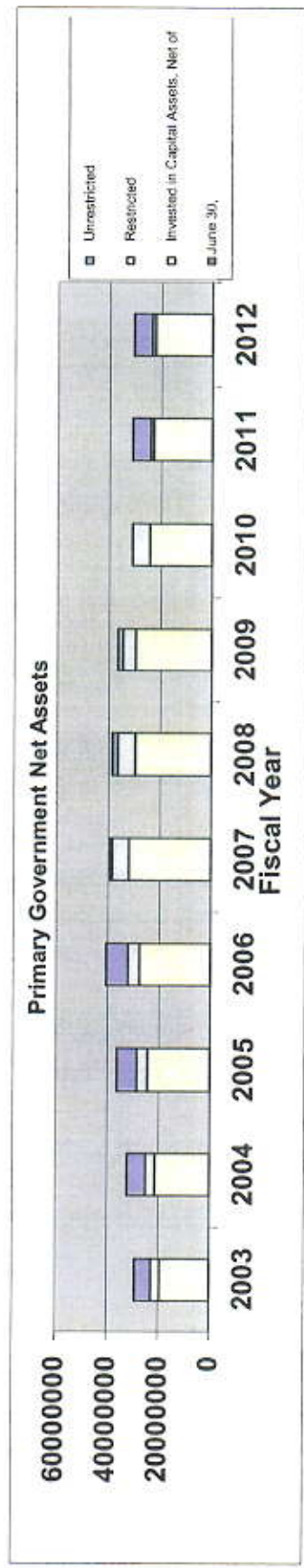
This part of Caroline County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

<u>Category</u>	<u>Schedule #'s</u>
Financial Trends Schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity Schedules contain information to help the reader assess the Counties most significant local revenue source, property taxes.	5, 6, 7 & 8
Debt Capacity Schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the Counties ability to issue additional debt in the future.	9,10,11 & 12
Economic and Demographic Information Schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	13,14,& 15
Operating Information Schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides.	16,17,18&19

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The county implemented GASB 34 in the 2002 fiscal year; schedules presenting government-wide information include information beginning in that year.

Caroline County, Maryland
 Net Assets by Component
 Last Ten Years
 (accrual basis of accounting)
 Schedule 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 19,060,139	\$ 21,024,865	\$ 24,037,880	\$ 27,382,148	\$ 31,588,073	\$ 28,997,031	\$ 28,997,508	\$ 20,726,884	\$ 22,611,390	\$ 22,018,273
Restricted for:										
Capital Projects	3,463,619	3,567,356	3,315,718	3,253,585	5,706,098	5,698,035	3,791,417	5,547,595	-	-
Other Purposes	-	-	940,517	1,132,562	833,225	957,072	1,045,114	1,103,918	1,276,394	1,262,729
Unrestricted	6,051,155	7,054,609	7,373,596	8,158,698	502,046	1,703,186	1,358,337	(33,962)	6,513,557	6,366,717
Total Government Activities Net Assets	\$ 28,574,913	\$ 31,646,830	\$ 35,667,711	\$ 39,926,993	\$ 38,629,442	\$ 37,355,324	\$ 35,192,376	\$ 27,344,435	\$ 30,401,341	\$ 29,647,719
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 328,687	\$ 335,063	\$ 341,437	\$ 357,812	\$ 379,187	\$ 788,442	\$ 786,170	\$ 3,633,900	\$ 335,514	\$ 345,023
Unrestricted	238,317	240,179	177,069	178,731	159,179	351,383	610,117	211,922	334,353	606,197
Total Business-type Activities Net Assets	\$ 567,004	\$ 575,242	\$ 518,506	\$ 536,543	\$ 538,366	\$ 1,139,825	\$ 1,396,287	\$ 3,845,822	\$ 669,867	\$ 951,220
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 19,388,826	\$ 21,359,928	\$ 24,379,317	\$ 27,739,960	\$ 31,967,260	\$ 29,785,473	\$ 29,783,678	\$ 24,360,784	\$ 22,946,904	\$ 22,363,296
Restricted	3,463,619	3,567,356	4,256,235	4,386,147	6,539,323	6,655,107	4,836,531	6,651,513	1,276,394	1,262,729
Unrestricted	6,289,472	7,294,788	7,550,665	8,337,429	661,225	2,054,569	1,968,454	177,960	6,847,910	6,972,914
Total Primary Government Net Assets	\$ 29,141,917	\$ 32,222,072	\$ 36,186,217	\$ 40,463,536	\$ 39,167,808	\$ 38,495,149	\$ 36,588,663	\$ 31,190,257	\$ 31,071,208	\$ 30,598,939



Caroline County, Maryland
 Changes in Net Assets
 Last Ten Years
 (accrual basis of accounting)
 Schedule 2

Years ended June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Government Activities:										
General Government	\$ 3,731,787	\$ 4,030,813	\$ 4,884,446	\$ 5,506,575	\$ 4,948,675	\$ 5,807,431	\$ 6,372,040	\$ 5,693,667	\$ 5,628,953	\$ 6,845,879
Public Safety	6,476,119	7,214,274	9,348,540	11,043,054	12,019,174	12,625,257	13,007,213	12,775,201	13,031,198	13,214,384
Public Works	4,566,680	4,836,799	5,752,137	5,636,041	5,876,260	5,964,220	5,870,164	5,277,671	4,908,094	4,573,494
Health	814,204	715,828	735,514	844,006	945,008	1,049,262	1,022,864	962,574	621,859	456,265
Social Services	468,947	558,120	274,835	836,128	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129	133,412
Primary Education	11,215,787	11,283,611	11,690,348	11,963,391	15,456,631	14,841,010	13,103,740	16,619,350	13,498,500	14,108,214
Secondary Education	1,069,062	1,253,816	1,606,200	1,215,455	1,609,472	1,634,409	1,398,888	1,872,085	1,413,551	1,434,573
Recreation and Culture	627,407	637,375	715,164	836,065	918,560	1,147,308	1,371,773	1,203,622	1,153,486	1,172,538
Library	1,041,545	1,137,600	1,124,088	1,355,600	1,544,070	1,594,100	1,450,000	1,200,000	1,100,000	1,111,050
Conservation of Natural	323,506	353,940	319,236	541,647	1,640,418	1,282,299	1,624,572	477,288	765,874	336,609
Economic Development	337,230	358,791	443,675	505,092	351,676	387,535	1,305,488	311,172	357,460	1,172,532
Public Housing	233,320	417,339	515,747	506,949	480,874	593,926	403,937	483,664	315,255	-
Interest on Long Term Debt	1,116,505	1,054,812	950,778	863,417	988,540	1,183,589	1,288,655	1,042,954	1,435,458	1,118,515
Total Government Activities Expenses	31,962,099	33,853,117	38,361,706	41,653,220	48,043,403	49,270,048	49,470,875	49,060,305	45,496,817	45,678,465
Business-type Activities										
Broadband supply	-	-	-	-	11,040	26,406	101,000	156,337	114,178	140,086
Interest on Long Term Debt -HAPS Building	188,100	183,026	177,561	172,013	166,073	159,761	153,203	147,446	-	-
Health and Public Service	247,673	236,878	253,870	274,685	293,033	329,295	314,953	334,437	-	-
Recreation	507,017	383,257	472,095	645,659	684,407	733,518	694,240	759,223	619,732	681,819
Public Works	205,388	217,870	304,154	506,587	611,436	804,193	585,571	581,872	755,516	814,760
Basic Life Support	956,572	990,643	255,212	316,915	364,825	410,985	382,184	542,224	517,036	531,269
Total Business-type Activities Expense	2,104,750	2,011,474	1,462,912	1,917,859	2,130,814	2,484,188	2,231,151	2,521,539	2,006,464	2,167,914
Total Primary Government Expenses	34,066,849	35,864,591	39,824,620	43,571,079	50,174,217	51,734,216	51,702,026	51,581,844	47,503,281	47,846,379

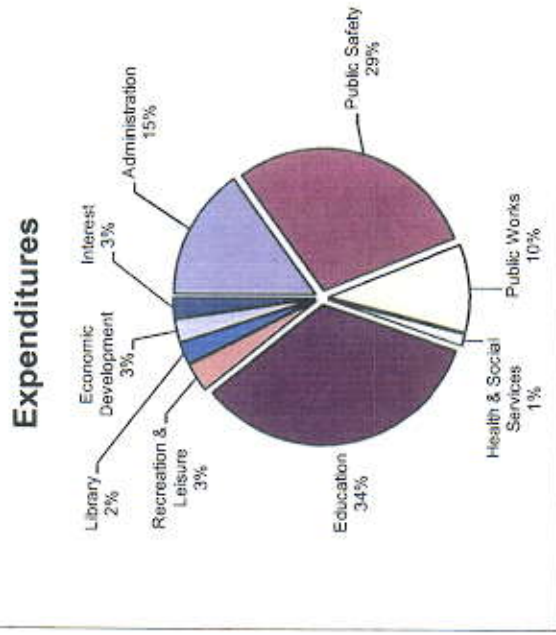
Caroline County, Maryland
Changes in Net Assets
 Last Ten Years
 (accrual basis of accounting)
Schedule 2

<u>Years ended June 30,</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Revenues										
Governmental Activities										
General Government	\$ 337,355	\$ 191,170	\$ 362,058	\$ 333,377	\$ 585,852	\$ 550,340	\$ 595,842	\$ 791,199	\$ 745,765	\$ 1,620,463
Public Safety	1,443,213	1,806,334	3,014,093	2,176,836	2,398,251	2,166,855	2,238,088	1,563,683	1,591,734	1,434,151
Public Works	3,794,049	3,185,192	4,296,667	4,996,801	4,470,889	4,863,896	3,708,693	669,237	1,118,952	855,996
Health	69,178	37,961	33,638	29,219	-	37,567	33,082	44,993	48,413	243
Social Services	314,872	379,716	69,826	623,790	1,112,316	1,077,441	951,127	1,508,785	1,117,280	-
Recreation and Culture	359,670	318,802	329,391	299,351	885,305	1,034,659	827,335	197,073	900,348	175,116
Library	-	7,230	-	-	141,539	-	-	-	-	-
Conservation of Natural Resources	123,841	240,737	255,209	332,087	104,298	166,778	154,706	240,903	331,508	164,866
Economic Development	440,146	208,877	336,676	292,388	823,059	766,205	1,674,404	266,154	133,372	1,071,275
Public Housing	182,236	353,538	384,485	392,202	356,772	504,416	393,834	455,943	296,401	-
Interest	-	106,034	17,718	16,326	14,743	6,636	11,278	9,365	7,410	-
Total Government Activities Program Revenues	7,064,360	6,835,591	9,099,761	9,492,387	10,873,024	10,974,573	10,588,389	5,747,275	6,291,183	5,322,110
Business-type Activities										
Charges for Service										
Broadband	-	-	-	-	-	56,784	181,160	152,586	171,450	219,169
Health and Public Service	379,881	375,017	394,904	387,787	385,597	526,558	498,215	482,358	-	-
Recreation	492,894	383,119	218,505	238,578	245,766	200,906	200,295	159,194	173,827	167,309
Public Works	212,617	237,547	338,260	557,967	632,134	829,427	844,480	648,923	790,680	863,618
Basic Life Support	742,020	823,556	658,089	758,291	908,357	1,028,941	1,063,760	1,145,963	1,150,699	1,407,294
Operating Grants-Recreation	2,870	-	213,640	387,741	421,680	534,603	518,977	617,078	519,800	467,053
Net Transfers in (out)	-	-	-	-	-	-	-	-	(3,975,947)	(675,176)
Total Business-type Activities Revenue	1,830,282	1,819,239	1,823,398	2,330,354	2,594,534	3,177,249	3,106,887	4,971,074	(1,169,491)	2,449,267
Net (Expense)Revenue										
Governmental Activities	(24,897,739)	(27,017,526)	(29,261,947)	(32,160,833)	(37,170,379)	(38,295,475)	(38,882,486)	(43,313,030)	(39,205,634)	(40,356,355)
Business-type Activities	(274,468)	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353
	(25,172,207)	(27,209,761)	(28,901,461)	(31,748,338)	(36,706,659)	(37,582,394)	(38,006,750)	(40,863,495)	(42,381,589)	(40,075,002)

Caroline County, Maryland
Changes in Net Assets
 Last Ten Years
 (accrual basis of accounting)
Schedule 2

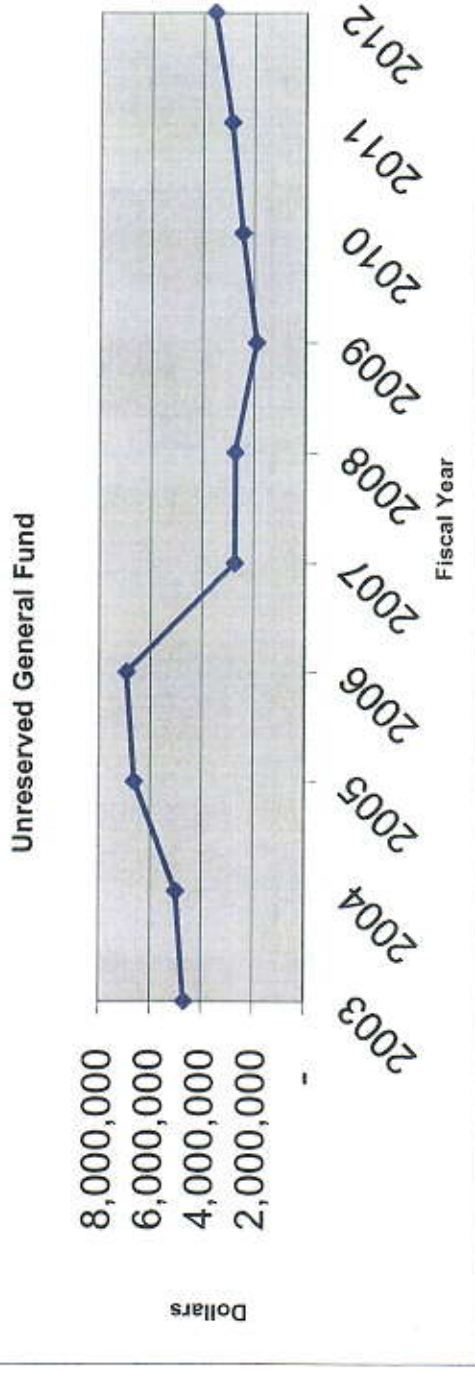
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and other Changes in Net Assets										
Government Activities										
Property Taxes	\$ 13,992,946	\$ 14,417,778	\$ 15,862,182	\$ 16,500,112	\$ 17,775,491	\$ 19,369,182	\$ 21,320,919	\$ 23,245,019	\$ 23,892,084	\$ 23,932,023
Other Taxes	10,056,496	12,856,115	14,200,876	17,048,496	14,740,674	15,082,888	12,293,573	11,831,008	12,323,263	12,489,087
Operating Grants Unrestricted	2,456,358	2,149,120	1,814,313	1,889,377	1,838,418	1,912,848	2,253,325	2,131,782	2,131,782	2,486,371
Other	548,969	94,528	295,459	587,672	1,056,348	544,817	232,447	22,311	(60,536)	20,076
Net Transfers in (out)	-	-	-	-	-	-	-	(1,765,031)	3,975,947	675,176
Total Government Activities/Primary Government	27,054,769	29,517,541	32,172,830	36,025,657	35,410,931	36,909,735	36,100,264	35,465,089	42,262,540	39,602,733
Change in Net Assets										
Governmental Activities	2,157,030	2,500,015	2,910,883	3,864,824	(1,759,448)	(1,385,740)	(2,782,222)	(7,847,941)	3,056,906	(753,622)
Business-type Activities	(274,468)	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353
Total	\$ 1,882,562	\$ 2,307,780	\$ 3,271,369	\$ 4,277,319	\$ (1,295,728)	\$ (672,659)	\$ (1,906,486)	\$ (5,398,406)	\$ (119,049)	\$ (472,269)

** Emergency Medical and Management combined in 2010



Caroline County, Maryland
Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)
Schedule 3

Years ended June 30, General Fund	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Reserved	\$ 2,065,381	\$ 3,206,728	\$ 3,199,116	\$ 2,913,367	\$ 2,870,591	\$ 337,676	\$ 247,230	\$ 235,828	\$ 245,951	\$ 196,238
Unreserved	4,670,477	4,988,170	6,610,103	6,912,734	2,700,375	2,721,888	1,895,700	2,448,436	2,865,037	3,542,706
Total General Fund	6,735,858	8,194,898	9,809,219	9,826,101	5,570,966	3,059,564	2,142,930	2,684,264	3,110,988	3,738,944
All Other Governmental Funds										
Reserved	3,463,619	3,567,356	3,315,718	3,253,585	5,706,098	8,440,356	5,545,104	7,351,144	5,959,059	3,716,780
Unreserved, reported in:										
Special Revenue Funds	784,794	879,953	1,211,297	2,414,134	2,415,033	-	-	-	-	(5,433)
Special Grants Fund	4,248,413	4,447,309	4,527,015	5,669,447	11,471,228	12,020,844	5,545,104	7,351,144	5,959,059	3,711,347
Total	\$ 10,984,271	\$ 12,642,207	\$ 14,336,234	\$ 15,495,548	\$ 17,042,194	\$ 15,080,408	\$ 7,688,034	\$ 10,035,408	\$ 9,070,047	\$ 7,450,291



Caroline County, Maryland
Revenues, Expenditures, Change in Fund Balance
Last Ten Years
(modified accrual basis of accounting)
Schedule 4

Years ended June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Property and Other Taxes	\$ 27,194,746	\$ 29,829,568	\$ 33,043,224	\$ 37,645,809	\$ 37,662,996	\$ 38,507,631	\$ 37,486,775	\$ 35,450,102	\$ 36,765,070	\$ 36,772,497
License and Permits	294,513	370,995	385,095	386,611	320,565	249,699	221,860	210,479	184,961	166,588
Intergovernmental Revenues	4,931,932	4,726,112	5,853,786	5,398,531	6,242,048	6,775,156	7,532,541	5,799,175	6,262,265	5,703,158
Charges for Services	787,195	859,748	1,123,854	1,094,090	1,314,655	1,191,743	885,550	768,966	722,778	793,343
Miscellaneous Revenues	907,127	986,363	976,634	1,076,445	1,626,755	1,189,469	888,268	855,322	738,248	663,647
Total Revenues	34,115,513	36,772,786	41,382,593	45,601,476	47,157,019	47,913,698	47,016,994	43,084,044	44,673,322	44,099,233
Expenditures										
General Government	3,336,804	3,616,483	4,108,895	4,999,470	5,365,478	5,681,450	5,428,556	5,060,521	4,726,364	5,440,074
Public Safety	7,213,289	7,224,320	9,681,586	10,912,304	11,359,999	12,621,617	12,593,790	11,989,750	11,884,025	12,262,522
Public Works	5,144,178	4,349,502	5,647,652	7,078,708	12,159,873	6,897,667	4,893,641	4,122,881	5,413,760	4,956,421
Health	706,366	626,970	645,477	688,233	818,872	907,222	902,434	940,934	540,151	452,838
Social Services	493,357	516,928	211,388	217,338	266,635	297,366	305,414	212,422	138,028	133,412
Primary Education	10,922,859	11,283,611	11,690,348	11,959,891	15,456,632	14,641,010	13,103,740	16,619,350	13,498,500	13,927,127
Secondary Education	1,009,062	1,290,627	1,640,487	1,250,027	1,645,222	1,671,394	1,441,101	1,915,590	1,458,291	1,460,604
Public Library	973,416	1,137,600	1,124,088	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000	1,111,050
Recreation and Parks	866,237	692,356	808,869	933,342	2,041,221	3,408,317	2,330,004	1,164,373	881,535	878,814
Arts	5,500	5,500	5,500	6,500	8,000	12,500	12,500	5,000	5,000	5,000
Conservation of Natural Resources	243,332	226,792	269,082	506,734	607,013	457,349	477,058	334,911	313,583	290,726
Housing Rehabilitation	-	40,750	60,905	77,488	106,465	100,751	105,283	33,457	11,725	-
Economic Development	1,397,884	639,895	786,232	1,661,733	2,992,539	3,538,531	2,652,026	2,138,818	1,825,055	1,317,532
Intergovernmental-Local	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	-
Historical	4,000	3,500	3,500	3,500	5,500	6,000	5,000	4,000	-	-
Contingency	54,731	137,691	223,287	143,914	60,942	28,074	27,837	46,407	52,253	40,863
Town Planning Grants	-	-	4,000	8,500	8,500	8,500	8,500	8,500	8,500	-
Capital Outlay	53,063	20,614	-	205,448	168,730	69,743	12,435	61,946	9,588	-
Miscellaneous**	284,573	327,933	284,307	321,095	1,532,882	1,167,281	1,573,899	494,416	507,485	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	1,869,233	1,908,261	2,207,931	1,686,230	2,268,181	2,185,576	2,459,259	7,342,721	6,235,600	3,081,118
Interest and Fiscal Charges	1,117,255	1,055,561	951,577	864,192	1,070,524	1,256,492	1,293,060	1,259,115	1,485,758	1,118,515
Total Expenditures	35,698,229	35,107,985	40,358,201	44,863,217	59,491,368	56,544,020	51,078,626	54,858,202	50,093,241	46,496,416
Excess of Revenues Over (Under) Expenditures	(1,582,716)	1,664,801	1,024,392	718,259	(12,324,349)	(8,630,322)	(4,061,632)	(11,774,158)	(5,424,919)	(2,397,183)

Caroline County, Maryland

Revenues, Expenditures, Change in Fund Balance

Last Ten Years

(modified accrual basis of accounting)

Schedule 4

Years ended June 30,	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Other Financing Sources (Uses)										
Sale of Capital Assets	\$ 17,520	\$ 5,250	\$ 344,459	\$ 56,332	\$ 898,080	\$ 47,956	\$ 6,151	\$ 811	\$ 18,987	\$ 65,935
Bond Premium					84,086	1,838				
Proceeds of Long Term Debt	1,500,000	155,000	-	-	12,475,000	6,600,000	-	16,042,529	3,736,000	-
Transfers In	885,381	1,105,715	1,359,121	4,027,508	7,251,218	3,522,357	801,776	7,435,261	935,463	-
Transfers Out	(1,433,771)	(1,306,188)	(1,029,580)	(3,725,795)	(6,882,753)	(3,500,045)	(4,059,491)	(9,346,919)	(265,570)	759,675
Total Other Financing Sources (Uses)	969,130	(40,223)	674,000	360,045	13,825,631	6,671,904	(3,251,564)	14,131,682	4,425,880	825,610

Net Change in Fund Balance \$ (613,586) \$ 1,624,578 \$ 1,698,392 \$ 1,078,304 \$ 1,501,282 \$ (1,958,418) \$ (7,313,196) \$ 2,357,524 \$ (999,039) \$ (1,571,573)

Debt Service as a Percentage of Non Capital Expenditures (1) Notes 10.1% 8.9% 8.6% 6.3% 6.9% 7.1% 7.8% 16.3% 15.8% 9.4%

**Fiscal Year 2003 first year to allocate employee benefits to department.

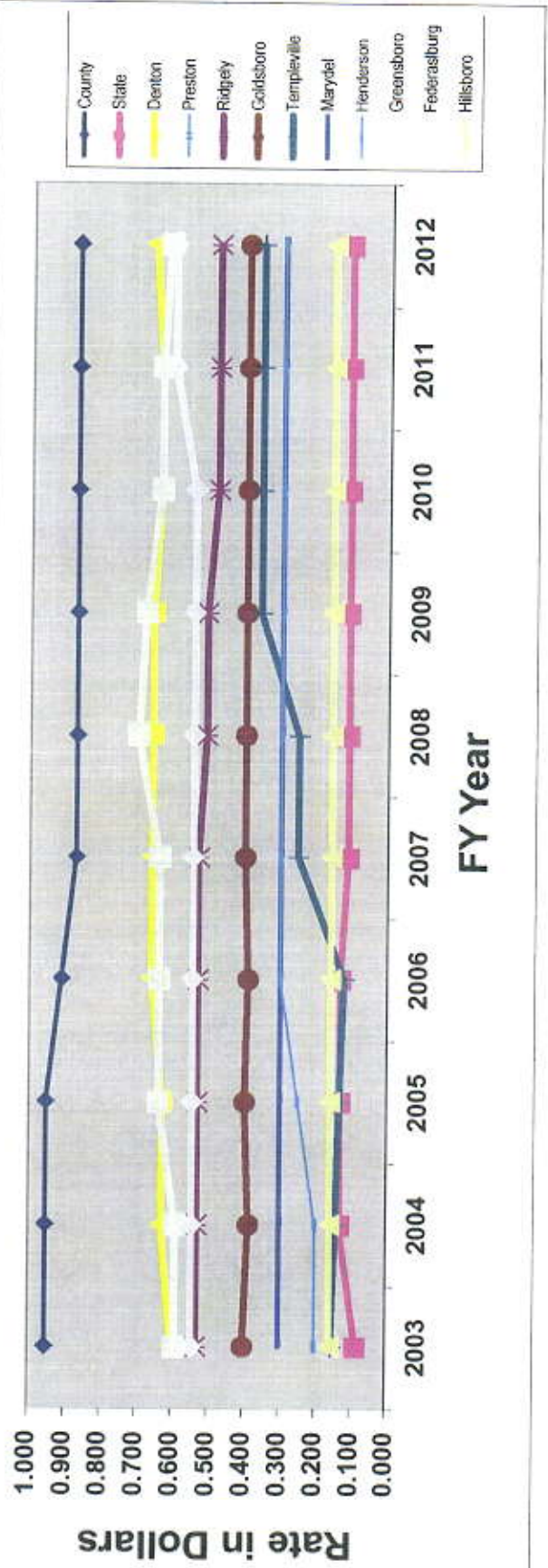
(1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

Caroline County, Maryland
 Property Tax Rates-Direct and Overlapping Governments
 (Per \$1,000 of assessed Value)
 Last Ten Fiscal Years (Unaudited)
 Schedule 5

Property Tax Restated to full Value

Fiscal Year Ending June 30	General Fund (1)	State of Maryland	Town of Denton	Town of Preston	Town of Ridgely	Town of Goldsboro	Town of Templeville	Town of Marydel	Town of Henderson	Town of Greensboro	Town of Federalsburg	Town of Hillsboro
2003	0.952	0.084	0.600	0.360	0.530	0.400	0.153	0.300	0.200	0.545	0.592	0.160
2004	0.952	0.132	0.630	0.360	0.530	0.386	0.142	0.300	0.200	0.545	0.592	0.160
2005	0.952	0.132	0.630	0.360	0.530	0.398	0.133	0.300	0.250	0.545	0.640	0.160
2006	0.910	0.132	0.660	0.360	0.530	0.390	0.122	0.300	0.300	0.545	0.640	0.160
2007	0.870	0.112	0.660	0.360	0.530	0.400	0.252	0.300	0.300	0.545	0.640	0.160
2008	0.870	0.112	0.660	0.360	0.510	0.400	0.252	0.300	0.300	0.545	0.700	0.160
2009	0.870	0.112	0.660	0.360	0.510	0.400	0.360	0.300	0.300	0.545	0.680	0.160
2010	0.870	0.112	0.640	0.360	0.481	0.400	0.360	0.300	0.300	0.545	0.640	0.160
2011	0.870	0.112	0.640	0.360	0.481	0.400	0.360	0.300	0.300	0.605	0.640	0.160
2012	0.870	0.112	0.660	0.360	0.481	0.400	0.360	0.300	0.300	0.605	0.620	0.160

(1) This rate does not reflect the tax differential for properties located within incorporated towns.
 The County General Fund tax rate does not have separate components



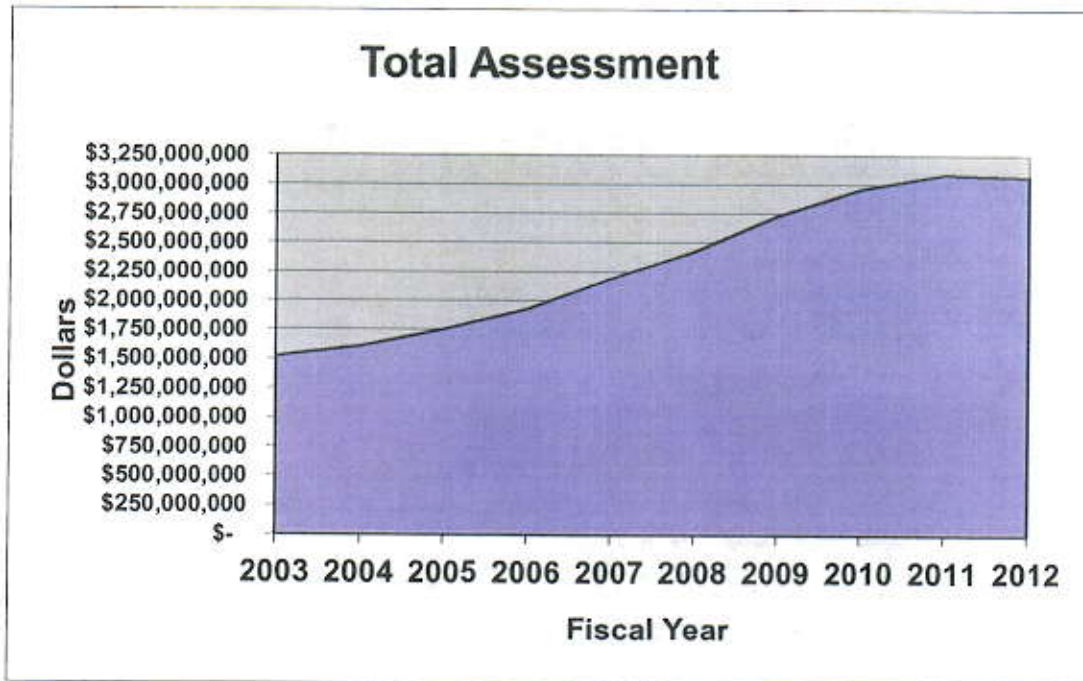
Caroline County, Maryland
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Schedule 6

Fiscal Year Ending June 30	Real Property Assessed Value	Exempt Property	Real Property Total Assessed Value	Total Direct Tax Rate(1)	Personal Prop Assessed Value(2)	Corp & Utility Assessed Value	Total Assessed Value
2003	\$ 1,289,527,950	\$ 141,916,320	\$ 1,431,444,270	0.952	\$ 2,608,660	\$ 81,712,210	\$ 1,515,765,140
2004	\$ 1,369,556,131	\$ 155,009,606	\$ 1,524,565,737	0.952	\$ 2,745,980	\$ 80,789,360	\$ 1,608,101,077
2005	\$ 1,507,546,709	\$ 161,741,759	\$ 1,669,288,468	0.952	\$ 2,139,710	\$ 75,918,580	\$ 1,747,346,758
2006	\$ 1,683,578,642	\$ 172,810,603	\$ 1,856,389,245	0.910	\$ 1,219,456	\$ 69,448,662	\$ 1,927,057,363
2007	\$ 1,937,403,404	\$ 185,818,909	\$ 2,123,222,313	0.870	\$ 593,030	\$ 63,878,104	\$ 2,187,693,447
2008	\$ 2,168,863,864	\$ 202,709,094	\$ 2,371,572,958	0.870	\$ -	\$ 49,645,980	\$ 2,421,218,938
2009	\$ 2,410,033,590	\$ 263,209,530	\$ 2,673,243,120	0.870	\$ -	\$ 52,761,220	\$ 2,726,004,340
2010	\$ 2,604,398,489	\$ 299,701,643	\$ 2,904,100,132	0.870	\$ -	\$ 52,024,290	\$ 2,956,124,422
2011	\$ 2,699,834,799	\$ 331,026,580	\$ 3,030,861,379	0.870	\$ -	\$ 50,250,650	\$ 3,081,112,029
2012	\$ 2,663,868,995	\$ 343,455,225	\$ 3,007,324,220	0.870	\$ -	\$ 52,455,540	\$ 3,059,779,760

Source: Maryland State Department of Assessments and Taxation.

(1) This rate does not reflect the tax differential for properties located within incorporated towns

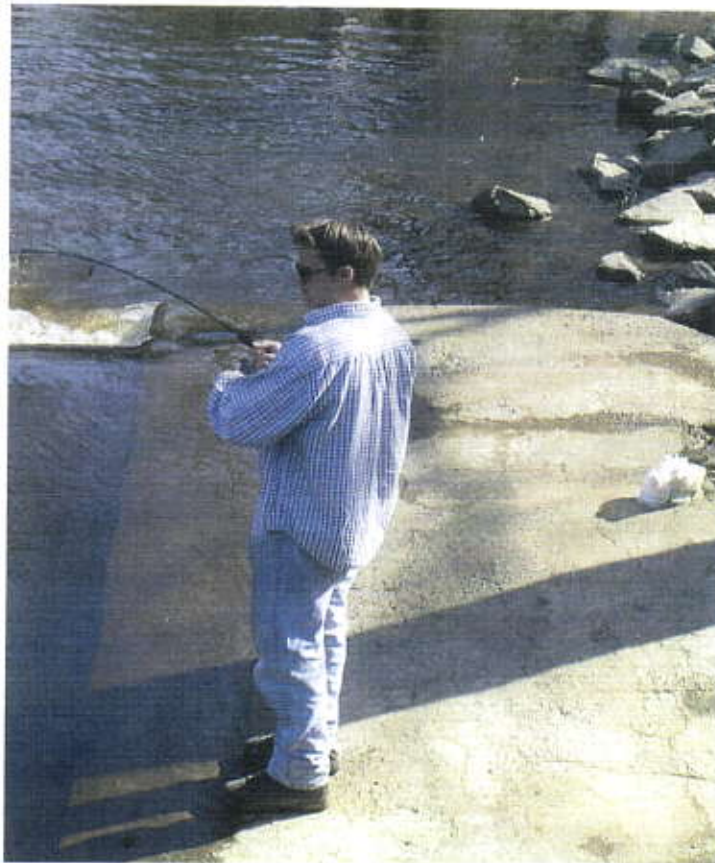
(2) Personal Property was phased out over a three year period ending in FYE June 2007



Caroline County, Maryland
General Fund Real Property Tax Levies and Collections
Last Ten Fiscal Years
Schedule 7

Fiscal Year Ending June 30	Total Tax Levy	Current Year Taxes Collected in Year of Levy	% of Levy Collected During Year	Collected in Subsequent Years	Total Collections	% of Current Year Taxes Collected Current & Prior
2003	\$ 13,849,390	\$ 13,778,452	99.50%	\$ 21,064	\$ 13,799,516	99.6%
2004	\$ 14,566,520	\$ 14,361,612	98.60%	\$ 67,342	\$ 14,428,954	99.1%
2005	\$ 15,687,683	\$ 15,613,507	99.53%	\$ 57,038	\$ 15,670,545	99.9%
2006	\$ 16,343,864	\$ 16,265,635	99.52%	\$ 69,586	\$ 16,335,221	99.9%
2007	\$ 17,540,340	\$ 17,487,694	99.70%	\$ 25,551	\$ 17,513,245	99.8%
2008	\$ 19,128,522	\$ 19,093,410	99.82%	\$ 23,002	\$ 19,116,412	99.9%
2009	\$ 21,140,313	\$ 21,111,314	99.86%	\$ 19,368	\$ 21,130,682	100.0%
2010	\$ 22,864,872	\$ 22,818,426	99.80%	\$ 36,153	\$ 22,854,579	100.0%
2011	\$ 23,648,637	\$ 23,588,002	99.74%	\$ 30,544	\$ 23,618,546	99.9%
2012	\$ 23,790,344	\$ 23,729,788	99.75%	\$ -	\$ 23,729,788	99.7%

Notes: Total collections does not include State and Municipality Taxes collected by the County.



Fishing at Martinak State Park

Caroline County, Maryland
 Ten Largest Principal Taxpayers
 June 30, 2012
 Schedule 8

Taxpayer	Type of Business	2011 Assessed Valuation	2011 Assessed Valuation	2011 Tax	2011 Tax	% of Total Tax Levy
Choptank Electric	Electric Power	\$ 12,725,870	\$ 24,609,060	\$ 298,937	\$ 520,451	0.80%
Delmarva Power and Light	Electric Power	\$ 21,608,740	\$ 17,998,640	\$ 514,288	\$ 390,870	0.58%
Verizon Maryland	Telephone utility	\$ 18,506,710	\$ 10,989,470	\$ 440,252	\$ 239,570	0.36%
Istar SCC Distribution	Cups and containers	\$ 8,520,116	\$ 14,946,600	\$ 83,843	\$ 119,573	0.49%
East Star, LLC	Excavating	\$ 2,704,722	\$ 8,736,140	\$ 25,298	\$ 75,701	0.28%
Burris Foods, Inc.	Transport of refrigerated food products	\$ 9,449,842	\$ 8,185,720	\$ 98,669	\$ 71,216	0.27%
Boaters World	Marine products distribution	\$ 93,400	\$ 7,276,600	\$ 777	\$ 58,213	0.24%
H&M Bay, Inc.	Refrigerated trucking	\$ 4,656,950	\$ 6,995,400	\$ 47,059	\$ 55,963	0.23%
Federalburg Terminal	Trucking	\$ 4,954,406	\$ 5,687,900	\$ 41,252	\$ 46,040	0.18%
Upland Holding Co	Golf Course	\$ -	\$ 5,081,200	\$ -	\$ 44,206	0.16%



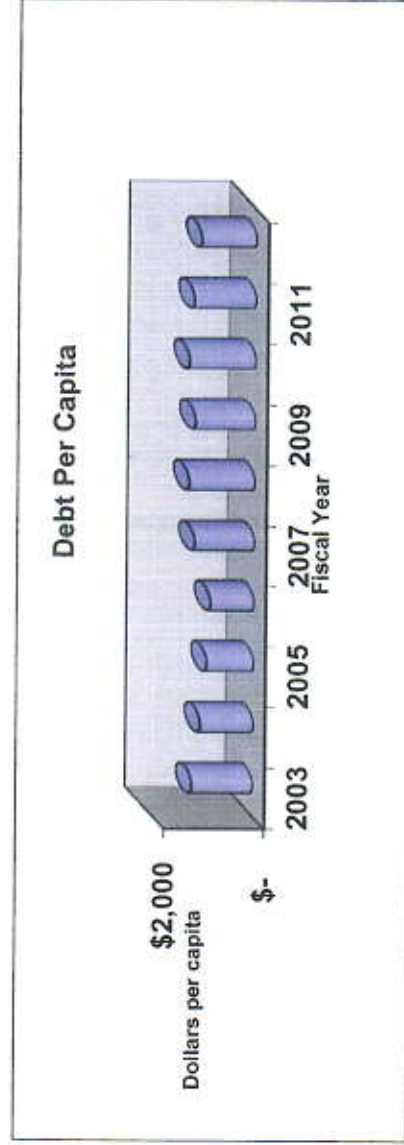
Source: Caroline County Tax Office
 Total Tax Levy Real and Personal
 Personal Taxes phased out in
 2007 tax levy

Caroline County, Maryland
 Ratio of Outstanding Debt by Type
 Last Ten Years
Schedule 9

Year June 30,	Governmental Activities					Business-type Activities			Total Debt Per Capita(1)	
	General Obligation Bonds	CDA Town (2)	MILA Loans	State Loans	Capital Loans	Total	MEDCO Loan (2)	Primary Government TOTAL		Total Debt to Personal Income (1)
2003	\$ 21,045,932	\$ 335,861	\$ 1,348,686	\$ 1,883,396	\$ 607,050	\$ 25,220,925	\$ 3,725,000	\$ 28,945,925	3.94%	\$ 1,215
2004	\$ 19,444,046	\$ 310,947	\$ 1,193,356	\$ 1,757,266	\$ 725,237	\$ 23,430,852	\$ 3,615,000	\$ 27,045,852	3.41%	\$ 1,057
2005	\$ 17,776,318	\$ 285,464	\$ 775,902	\$ 1,660,000	\$ 690,950	\$ 21,188,634	\$ 3,505,000	\$ 24,693,634	2.94%	\$ 935
2006	\$ 16,180,559	\$ 257,060	\$ 713,835	\$ 1,660,000	\$ 656,378	\$ 19,467,832	\$ 3,385,000	\$ 22,852,832	2.71%	\$ 875
2007	\$ 27,130,185	\$ 228,088	\$ -	\$ 1,660,000	\$ 620,629	\$ 29,638,902	\$ 3,260,000	\$ 32,898,902	3.65%	\$ 1,192
2008	\$ 30,577,071	\$ 195,626	\$ -	\$ 2,660,000	\$ 583,644	\$ 34,016,341	\$ 3,130,000	\$ 37,146,341	3.98%	\$ 1,312
2009	\$ 28,150,843	\$ 162,596	\$ -	\$ 2,660,000	\$ 541,431	\$ 31,514,870	\$ 2,990,000	\$ 34,504,870	3.58%	\$ 1,194
2010	\$ 36,455,718	\$ -	\$ -	\$ 3,217,529	\$ 497,927	\$ 40,171,174	\$ -	\$ 40,171,174	3.98%	\$ 1,322
2011	\$ 33,956,118	\$ -	\$ -	\$ 3,217,529	\$ 453,188	\$ 37,626,835	\$ -	\$ 37,626,835	3.73%	\$ 1,233
2012	\$ 30,875,000	\$ -	\$ -	\$ 3,057,529	\$ 407,157	\$ 34,339,686	\$ -	\$ 34,339,686	3.32%	\$ 1,098

(1) See Schedule 13 for population and personal income.

(2) In December 2009 Caroline County refinanced debt including CDA loans and the Medco Loan transferring debt to a general obligation bond.



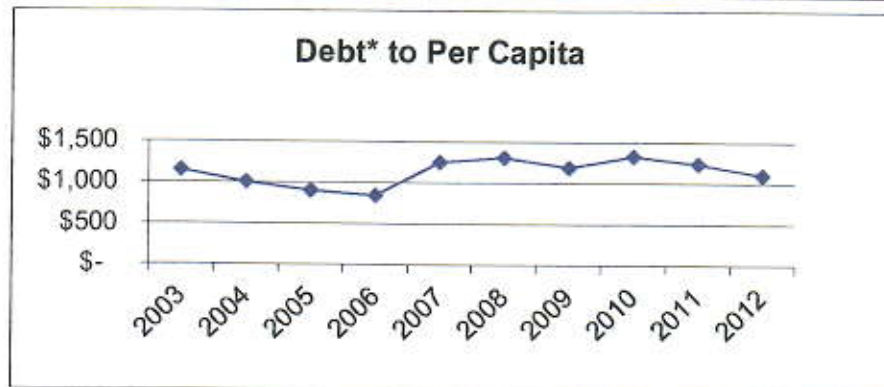
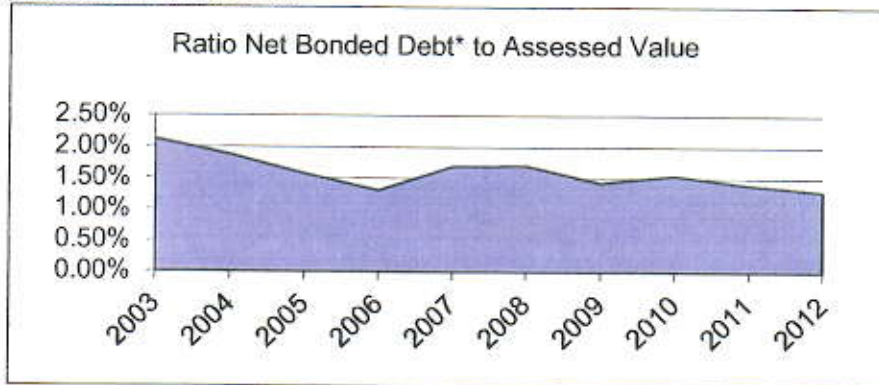
Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

Year June 30,	General Bonded Debt	(1) Assessed Value	(2) Per Capita	Ratio Net Bonded Debt* to Assessed Value	Debt* to Per Capita
2003	\$ 27,261,378	\$ 1,289,527,950	\$ 23,831	2.11%	\$ 1,144
2004	\$ 25,541,549	\$ 1,369,556,131	\$ 25,595	1.86%	\$ 998
2005	\$ 23,632,268	\$ 1,507,546,709	\$ 26,409	1.57%	\$ 895
2006	\$ 21,881,937	\$ 1,683,578,642	\$ 26,111	1.30%	\$ 838
2007	\$ 32,670,814	\$ 1,937,403,404	\$ 26,148	1.69%	\$ 1,249
2008	\$ 36,950,715	\$ 2,168,863,864	\$ 28,303	1.70%	\$ 1,306
2009	\$ 34,342,274	\$ 2,410,033,590	\$ 28,904	1.42%	\$ 1,188
2010	\$ 40,171,174	\$ 2,604,398,489	\$ 30,389	1.54%	\$ 1,322
2011	\$ 37,626,835	\$ 2,699,834,799	\$ 30,527	1.39%	\$ 1,233
2012	\$ 34,339,686	\$ 2,663,868,995	\$ 31,282	1.29%	\$ 1,098

* Net General Bonded Debt is total debt less CDA Town Loans and Mila Loans in years prior to 2010

(1) Assessed Value is from Schedule 6

(2) Per Capita is from Schedule 13

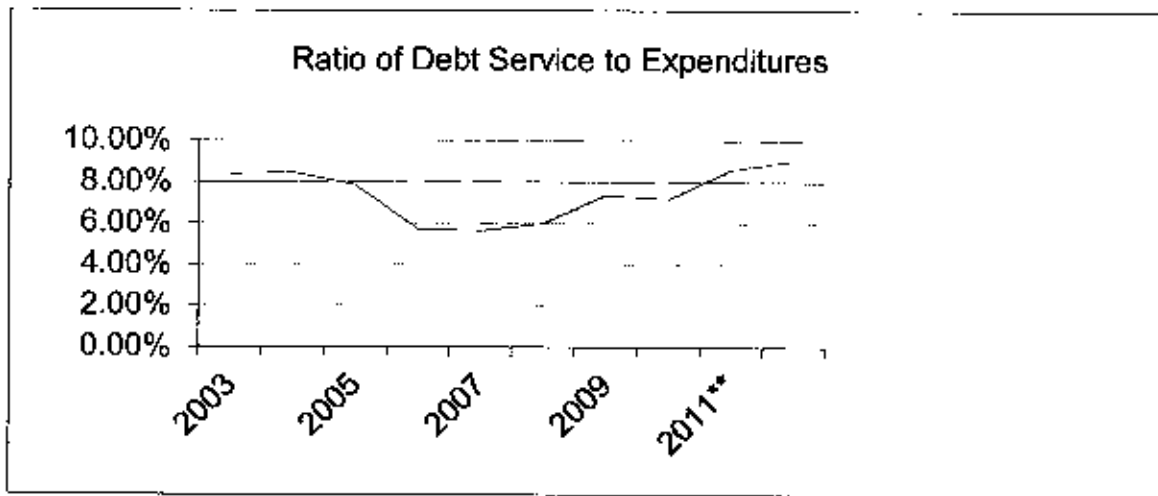


Caroline County, Maryland
Ratio of Annual Debt Service to Total Government Expenditures
Last Ten Years
Schedule 11

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest & Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Total Governmental Expenditures</u>
2003	\$ 1,869,233	\$ 1,117,255	\$ 2,986,488	\$ 35,698,229	8.37%
2004	\$ 1,908,261	\$ 1,055,561	\$ 2,963,822	\$ 35,107,985	8.44%
2005	\$ 2,207,931	\$ 951,577	\$ 3,159,508	\$ 40,358,201	7.83%
2006	\$ 1,686,230	\$ 864,192	\$ 2,550,422	\$ 44,883,217	5.68%
2007	\$ 2,268,181	\$ 1,070,524	\$ 3,338,705	\$ 59,491,368	5.61%
2008	\$ 2,185,576	\$ 1,186,389	\$ 3,371,965	\$ 56,544,020	5.96%
2009	\$ 2,459,259	\$ 1,290,930	\$ 3,750,189	\$ 51,078,626	7.34%
2010*	\$ 2,307,129	\$ 1,259,115	\$ 3,566,244	\$ 49,822,610	7.16%
2011**	\$ 2,499,600	\$ 1,485,758	\$ 3,985,358	\$ 46,362,241	8.60%
2012	\$ 3,081,118	\$ 1,118,515	\$ 4,199,633	\$ 46,496,416	9.03%

*Adjusted for refinance of bonds \$5,035,592

** Adjusted for refinance of bonds \$3,736,000



Caroline County, Maryland
Computation of Direct and Overlapping General Obligation Bonded Debt
June 30, 2012
Schedule 12

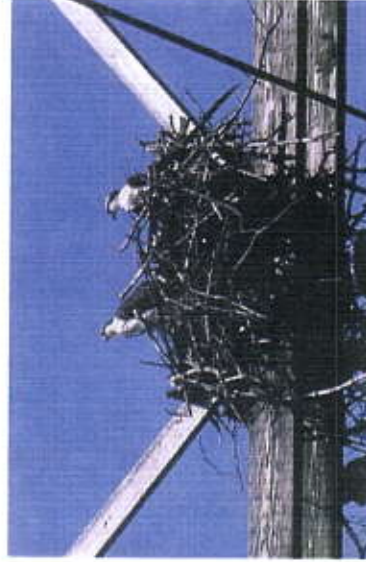
<u>Political Subdivision</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable To County*</u>	<u>Amount Applicable To County</u>
Caroline County Direct Debt	\$ 34,339,686	100.00%	\$ 34,339,686
	<u>34,339,686</u>		<u>34,339,686</u>
Caroline County Library	-	100.00%	-
Caroline County Board of Education	3,752,962	100.00%	3,752,962
Town of Denton	3,299,216	100.00%	3,299,216
Town of Federalsburg	148,967	100.00%	148,967
Town of Greensboro	339,967	100.00%	339,967
Town of Ridgely Indirect Debt	552,047	100.00%	552,047
	<u>8,093,159</u>		<u>8,093,159</u>
TOTAL	<u>\$ 42,432,845</u>		<u>\$ 42,432,845</u>

* Percentage determined by dividing the assessed value of the political subdivision within the County by the total assessed valuation of the subdivisions. The valuation used is for the Tax Year 2010

Source: Primarily from debt schedules submitted by subdivisions to the Caroline County Tax Office. Individual jurisdictions with immaterial amounts of overlapping debt are excluded.

CAROLINE COUNTY, MARYLAND
 Demographic Statistics
 Last Ten Calendar Years (Unaudited)
Schedule 13

Year	Population (1)	Personal										Unemployment Rate	Median Age (3)
		Income per 1000 (1)*	Per Capita Income (1)	High School Graduates (2)	School Enrollment (2)	Labor Force (4)	Employment (4)	Unemployment (4)	School Enrollment (2)	High School Graduates (2)	Per Capita Income (1)		
2003	30,866	735,562	23,831	372	5,400	16,697	15,809	888	5.3%	37.2			
2004	31,025	794,081	25,595	322	5,422	16,984	15,756	624	3.7%	37.0			
2005	31,805	839,953	26,409	349	5,599	16,300	15,599	701	4.3%	37.0			
2006	32,278	842,818	26,111	390	5,571	16,668	15,967	701	4.2%	37.0			
2007	32,617	900,352	27,603	434	5,611	16,295	15,593	702	4.3%	37.5			
2008	33,138	932,393	28,303	418	5,656	16,462	15,757	705	4.3%	36.6			
2009	33,367	964,434	28,904	371	5,474	16,272	14,779	1,493	9.2%	37.5			
2010	33,217	1,009,420	30,389	373	5,551	16,436	14,890	1,546	9.4%	36.6			
2011	33,066	1,009,420	30,527	373	5,175	16,526	15,042	1,484	9.0%	38.7			
2012	33,072	1,034,572	31,282	364	5,226	16,693	15,265	1,428	8.6%	38.7			



- Source:
- 1 U.S. Bureau of Economic Analysis. Us Dept of Commerce as of April 2012
 - 2 Caroline County Public Schools-Total Enrollment PK-12 Fiscal Year
 - 3 2000 US Census and MD Dept of Planning Services Estimated
 - 4 Monthly Labor Review June 12
<http://www.bea.gov/iTable/iTable.cfm>
<http://www.dlr.state.md.us/lmi/>

Caroline County, Maryland
Major Employers FYE 6/30/2012
Schedule 14

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	842	5.52%
Solo Cup	Cups and containers	567	3.71%
Benedictine School	Private School for exceptional children	403	2.64%
Caroline County	Government	245	1.60%
H&M Bay	Refrigerated trucking	135	0.88%
Caroline Nursing Home	Nursing care	130	0.85%
Envoy Health Care	Medical Services	105	0.69%
Medifast-Jason Pharmaceuticals Inc.	Food Diet Industry	100	0.66%
Food Lion	Groceries	100	0.66%
Tri Gas & Oil	Metered gas, fuel oil, appliances	95	0.62%

Source: Maryland Department of Business & Economic Development
 Brief Economic Facts <http://www.choosemaryland.org/orientation/profiles/caroline/index.asp>
 and updated by Caroline County Staff.

Caroline County, Maryland
Major Employers FYE 6/2002

Firm	Product/Service	Employment	Percent of Caroline County Employment
Interactive Marketing Service	e-Commerce-catalogue and fulfillment Co	920	5.80%
Caroline County Board of Education	Government	786	4.96%
Solo Cup	Cups and containers	600	3.78%
Benedictine School	Private School for exceptional children	344	2.17%
Maryland Plastics	Plastic tableware	284	1.79%
Tri Gas & Oil	Metered gas, fuel oil, appliances	225	1.42%
Caroline County	Government	179	1.13%
Choptank Electric Cooperative	Electric Power	175	1.10%
Burriss Refrigerated Services	Transport of refrigerated food products	130	0.82%
Caroline Nursing Home	Nursing care	115	0.73%

Note: We do not have complete accurate prior 10 year information so have used estimates from companies

CAROLINE COUNTY , MARYLAND
 Deposits of All FDIC-Insured Institutions
 Operating in Caroline County
Schedule 15

<u>Year</u>	(1) <u>Bank Deposits (dollars in Millions)</u>		(2) <u>Avg Sale Price for a Single Family Home</u>		(3) <u>Total Assessed Property Value</u>
2002	304	\$	130,279	\$	1,444,537,556
2003	322		158,225		1,531,297,890
2004	336		197,171		1,680,357,312
2005	357		230,096		1,869,397,551
2006	383		258,464		2,140,112,498
2007	406		232,821		2,371,572,958
2008	409		166,815		2,673,243,120
2009	391		164,697		2,904,100,132
2010	396		159,950		3,030,861,379
2011	389		134,500		3,007,324,220

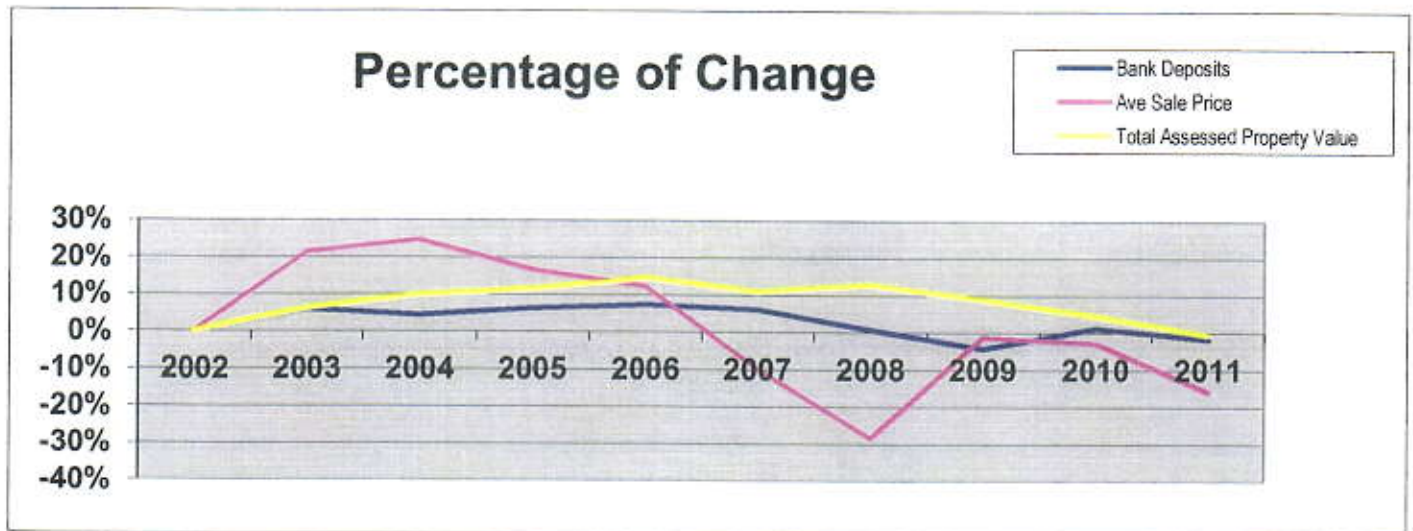
Source:

(1) Federal Deposit Insurance Corporation Web Site

<http://www2.fdic.gov/sod/SQDSumReport.asp>

(2) Midshore Realtor Association-Calendar Year

(3) Caroline County Tax Office-includes exempt property



Caroline County, Maryland
 Building Permits (Unincorporated Areas)
 Calendar Years 2002-2011 (Unaudited)
 Schedule 16

Types	2002		2003		2004		2005		2006		2007		2008	
	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	128	\$14,752,838	148	\$19,540,212	155	\$22,125,951	130	\$22,799,992	105	\$18,033,968	75	\$15,652,684	60	\$10,198,667
Accessory Dwellings	3	186,000	3	170,000	4	307,148	2	83,000	4	155,870	4	145,000	0	
Accessory Structures	198	2,421,131	229	2,932,492	232	3,841,009	237	3,817,617	221	3,441,297	217	4,046,437	161	3,047,108
Additions	123	1,906,612	140	3,313,886	135	2,772,022	145	4,039,243	127	4,012,604	115	2,685,481	79	2,333,022
Comm/Industrial & Institutional	13	569,490	18	2,394,453	13	993,572	19	10,189,850	10	5,509,050	7	426,100	8	21,775,000
Mobile Homes	15	237,572	11	195,257	14	77,215	9	155,400	6	61,300	27	1,726,441	18	1,034,050
Poultry Structures/Ag	11	1,263,040	15	1,614,000	24	5,572,272	18	4,916,176	14	3,506,000	7	1,708,000	9	1,835,684
Change of Use/Home Occupation	12	74,750	19	118,496	12	77,490	15	139,735	12	119,750	4	2,150	3	62,000
Shoreline Projects	7	62,455	8	122,500	6	62,750	5	48,000	10	224,725	9	266,600	11	127,900
Decks Pools Signs	1	0	2	93,750	1	6,000	0	0	0	0	0	0	1	3,000
Renovations	5	108,600	8	219,400	11	173,600	11	1,177,300	13	1,167,300	9	779,960	12	309,900
Totals	516	\$21,582,488	601	\$30,714,446	607	\$36,009,029	591	\$47,366,313	522	\$36,231,864	474	\$27,438,853	362	\$40,726,331



Source: Caroline County Dept of Planning

Types	2009		2010		2011	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	27	\$4,205,153	45	\$5,716,254	22	\$3,237,000
Accessory Dwellings	0		2	200,000	1	\$55,000
Accessory Structures	79	1,162,733	81	1,465,340	40	\$537,030
Additions	54	1,305,053	43	637,636	32	\$1,190,508
Comm/Industrial & Institutional	9	1,680,490	10	4,767,189	8	\$1,484,400
Mobile Homes	16	440,105	10	415,298	6	\$134,500
Poultry Structures/Ag	39	2,539,620	37	1,176,068	26	\$783,039
Change of Use/Home Occupation	3	2,750	6	\$300	6	\$300
Shoreline Projects	5	136,000	6	103,500	5	\$131,350
Foundation	5	67,000	0	0	36	\$336,002
Renovations	13	529,289	14	243,238	14	\$264,048
Totals	250	\$12,068,193	248	\$14,724,523	196	\$8,153,177

Caroline County Maryland
 City Government Employees by Function/Program(Full time Equivalents)
 Last Ten Years
 Schedule 17

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	110	112	114	120	131	131	129	130	122	131
Public Safety	26	26	26	28	30	33	33	33	31	31
Public Works	56	55	52	54	55	55	55	37	45	40
Leisure Services	7	7	7	9	9	9	11	10	10	9
Total	199	200	199	211	225	228	228	210	208	211

Source: Caroline County Human Resources

Operating Indicators by Function/Program
 Last Ten Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government*										
Payroll Checks Processed	6,727	6,800	7,000	7,500	8,198	8,113	8,216	8,190	8,092	7,855
Number of Checks Written	7,239	6,895	6,986	7,028	7,106	7,200	6,304	5,664	5,007	4,351
Purchase orders Issued	4,024	3,783	3,894	4,370	5,169	5,200	2,472	1,869	1,964	1,779
Public Safety (calendar year)										
Sheriff Calls for Service(1)	10,437	9,901	10,666	12,072	12,897	13,200	12,199	12,199	10,446	12,692
911 Calls(1)	12,041	12,340	15,437	15,796	15,882	16,000	17,008	16,488	16,314	18,288
Calls for Fire & EMS Dispatches(1)	7,894	8,579	8,474	8,474	8,752	9,000	8,793	8,459	5,457	5,548
Avg Detention Ctr Daily Population(2)	96	90	85	85	96	83	98	92	111	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	7
Uniform Police Officers(3)	NA	NA	NA	NA	NA	78	77	62	63	63
Number of Vehicles	NA	NA	NA	NA	NA	79	76	68	68	68
Number of Type 1 law violations (3)	NA	NA	NA	NA	NA	985	1,211	1,146	1,221	NA
Physical arrests (3)	NA	NA	NA	NA	NA	1,753	2,087	2,170	2,137	NA
Traffic violations (3)	NA	NA	NA	NA	NA	4,636	5,935	7,830	NA	NA
Public Works**										
Miles of Roads Serviced	43	39	40	28	62	34	-	-	-	38
Annualized Tonnage for Collection Sites	5,366	5,943	5,969	6,109	6,299	6,400	5,493	5,091	3,199	1,401
Parks and Rec**										
Number of Programs	314	252	276	267	300	310	312	313	313	313

* Finance Office Records

** Source Public Work Records

*** Source Parks & Recs Staff

(1) Source Emergency Management Logs

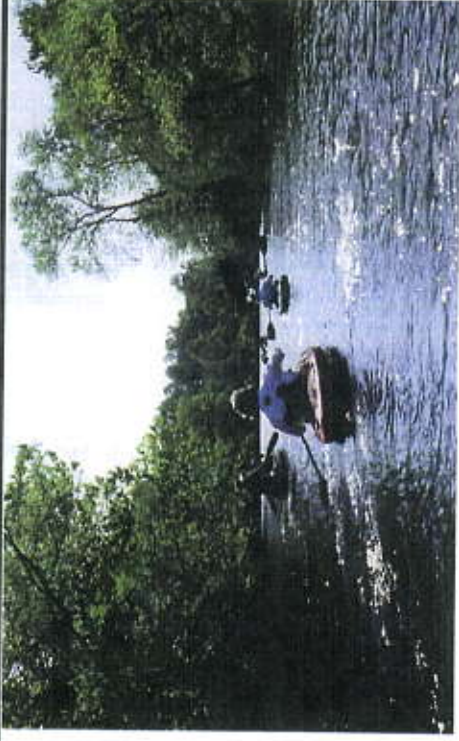
(2) Correction Annual Report

(3) State of Md Uniform Crime Report

<https://www.documentcloud.org/documents/406097-maryland-uniform-crime-report-2011.html>

Caroline County Maryland
 Capital Asset Statistics
 Last Ten Years
Schedule 18

Function/Program	June 30, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Facilities										
Police Stations in County(1)	7	7	7	7	7	7	7	7	7	7
Fire & Rescue Stations(1)	8	8	8	8	8	8	8	8	8	8
Parks/Recreation Facilities(2)	5	5	5	5	5	5	5	5	5	5
Senior Centers(3)	2	2	2	2	2	2	2	2	2	2
Libraries(4)	3	3	3	3	3	3	3	3	3	3
Public Schools(5)										
Elementary	5	5	5	5	5	5	5	5	5	5
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	3	3	3	3	3	3	3	3	3	3
Department of Public Works(6)										
Miles of County Maintained Paved Rds	398.83	398.95	398.80	398.24	400.19	400.91	399.00	399.00	399.00	399.00
Vehicles in Roads Department	n.a.	22	23	24	25	27	27	27	26	26
Caroline County Sheriff Department(7)										
Vehicles in Service	n.a.	31	31	31	32	32	31	31	32	32



- Sources**
- (1) Emergency Management
 - (2) Parks & Rec Park Department
 - (3) Health and Mental Hygiene Department
 - (4) Library Staff
 - (5) BOE Administration Office
 - (6) Public Works Road Board
 - (7) Capital Asset Records

Caroline County, Maryland
Miscellaneous Statistics
June 30, 2012 (Unaudited)
Schedule 19

Date of Incorporation	1774	<u>Board of Elections</u> -Source Local Election Staff	
Form of Government	Home Rule	Registered voters at last general election	17,596
Area in Square Miles	321	Number of votes cast last general election	13,286
		Percentage of registered voters voting	75.50%
<u>Population(1)</u>		<u>Police Protection</u> - Source Sheriff Budget Document	
1970	19,781	Uniform Police Officers	34
1980	23,143	Number of Vehicles	32
1990	27,035	Number of Offenses-Sheriff Dept (2)	805
2000	29,772	Traffic violations (2)	5,600
2010	33,066		
<u>Employees</u> -Source Human Resources Records		<u>Detention Center</u> -Source Annual Correction Report	
Exempt	42	Detention Center Officers	29
Full time	185	Average Daily Population (2)	111
Part time (FTE)	18	Average Daily Work Release (2)	2
Total	<u>245</u>		
<u>County Maintained Roads</u> -Source Public Works Records		<u>Fire Protection</u> -Source Emergency Management	
Paved	399	Number of Volunteer Stations	8
Unpaved	78	Number of Volunteer Members	424
Total	<u>477</u>	Equipment	
		Engines	18
<u>Libraries</u> -Source Library Staff		Tankers	9
Number of Libraries	3	Aerial Units	2
<u>Education (Public)</u> -Source BOE Admin Staff		Rescue Units	6
Number of Schools		Brush Units	9
High Schools	3	Air Units (MD State Police)	7
Middle Schools	2	Miscellaneous Utility Units	5
Elementary Schools	5	Ambulance/Medic Units	17
Number of Personnel		Boat dive units	2
Teachers	448	Command Vehicles	6
Administrators	48	Canteen	1
Support	346	Calls for Service- Fire/Rescue	880
Other	0	Calls for Emergency Medical	4,668
Number of students	5,226		
(1) 2010 Census		<u>County Owned Recreation Facilities</u> -Source Pks & Rec	
(2) Caroline County Budget Document		Parks	5
		Parks Acreage	150
		Public Landings	4
		Open Space Acreage Actively Maintained	103
		Quantity of Public Boat Ramps	4
		Special Use Areas and Facilities	7
		Acreage under Development for Public Use	45
		Protected Park land for Future Development	113