THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

CAROLINE COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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

CONTENTS

	Page(s)
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	14-16
Management's discussion and analysis	17-31
Basic financial statements:	
Government-wide statements:	
Statement of net position	32
Statement of activities	33-34
Governmental fund financial statements:	
Balance sheet	35
Reconciliation of total governmental fund balance to net position of governmental activities	36
Statement of revenues, expenditures and changes in fund balance	37
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	38
Proprietary fund financial statements:	
Statement of net position	39
Statement of revenues, expenses and changes in fund net position	40
Statement of cash flows	41
Fiduciary fund financial statements:	
Statement of fiduciary net position	42
Statement of changes in fiduciary net position	43
Component units:	
Combining statement of net position	44
Combining statement of activities	45
Notes to financial statements	46-86
Required supplementary information:	87
Budgetary comparison schedule – general fund	88-92
Budgetary comparison schedule – special revenue grants fund	93
Schedule of funding progress – Caroline County, Maryland Employees' Pension Plan	94
Schedule of employer contributions – Caroline County, Maryland Employees' Pension Plan	95
Other Postemployment Benefit Plan - Funding Progress and Schedule of Employer Contributions	96
Notes to the Required Supplementary Information	97

Page(s)

FINANCIAL SECTION (continued)

Other supplementary information: 98
Combining balance sheet – other governmental funds 99-102
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds 103-106
Combining statement of fiduciary net position – agency funds 107
Combining statement of changes in assets and liabilities – agency funds 108-111
Combining statement of net position – other proprietary funds 112
Combining statement of revenues, expenses and changes in fund net position – other proprietary funds 113
Combining statement of cash flows – other proprietary funds 114

Budgetary comparison schedule – capital improvements fund 115
Budgetary comparison schedule – educational facilities fund 116
Budgetary comparison schedule – special revenue funds 117-120

Revenue and expenditure detail – Highway users 121

Expenditure detail – contingency fund – actual vs. budget 122

STATISTICAL SECTION 123

Statistical section index 124

Schedule		
1	Net position by component	125
2	Changes in net position	126-128
3	Fund balances of governmental funds	129
4	Revenues, expenditures and changes in fund balance – governmental funds	130-131
5	Property tax rates direct and overlapping governments	132
6	Assessed and estimated value of taxable property	133
7	Real property tax levies and collections	134
8	Ten largest principal taxpayers	135
9	Ratio of outstanding debt by type	136
10	Ratio of general bonded debt outstanding	137
11	Ratio of annual debt service to total government expenditures	138
12	Computation of direct and overlapping general obligation bonded debt	139
13	Demographic statistics	140
14	Major employers in Caroline County	141
15	Deposits of all FDIC-insured institutions operating in Caroline County	142
16	Building permit statistics	143
17	Caroline County government employees by function/program	144
18	Capital asset statistics	145
19	Miscellaneous statistics	146

INTRODUCTORY SECTION

COUNTY COMMISSIONERS *of* CAROLINE COUNTY, MARYLAND

WILBUR LEVENGOOD JR
PRESIDENT

LARRY C. PORTER
MEMBER

JEFFERSON L. GHRIST
VICE PRESIDENT

SARA B. VISINTAINER
CHIEF OF STAFF

KEN DECKER
COUNTY ADMINISTRATOR

HEATHER PRICE
COUNTY ATTORNEY

October 19, 2013

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, 2013***, 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 *unmodified opinion that the financial statements for*

Courthouse **109 Market Street, Rm. 123** **Denton, Maryland 21629**
Telephone 410.479.0660 **www.carolinemd.org** **Facsimile 410.479.4060**

Caroline County Government for the fiscal year ended June 30, 2013, 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 33,128 (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, interactive 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 has begun to see signs of economy recovery. Homes sales have increased and prices appear to have stabilized although well below historic highs reached half a decade ago. The unemployment rate for Caroline County dropped to eight (8) percent but remain higher than the state average of seven (7) percent. This is typical for rural counties on the Eastern Shore.

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.

Residential housing growth also will depend on the long-term impact of recently-passed state environmental regulations. The vast majority of residential dwellings are on private wells and septic systems. New regulations requiring upgrades like "best available technology" septic systems and fire suppression sprinkler systems in residential dwellings will significantly increase the cost of new home construction. With real estate prices low, it may be difficult for home builders to secure financing when the cost of construction exceeds the value of new homes. With the limitations on new housing construction and limited job opportunities, it may prove difficult for Caroline County to grow its way out of the longstanding local economic recession.

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 six 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 13, the Commissioners used capital reserve funds and unrestricted general reserves to replace some fleet

vehicles and perform critical roadway maintenance. Capital and infrastructure investment, however, remained well below recommended levels.

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, 2013, unreserved fund balance exceeded 5% of budgeted expenditures.

As noted in last year's transmittal letter, the most significant challenge to local governments is not the moribund economy, but the seemingly endless appetite for the State Legislature to push costs downward. Over the next three years, Caroline County will continue to struggle to meet the increasing cost of the local share of teacher pensions. The rural counties also continue to deal with an unprecedented wave of new environmental regulations, the last being "Accounting for Growth (AfG)." Even before the AfG regulations, new mandates for residential dwellings built on private wells and septic systems may have made rural housing largely untenable. It is difficult to escape the conclusion that the regulations are less about saving the Chesapeake Bay and more about limiting growth.

The new regulations will have at least two unintended consequences with ramifications for Caroline County's long-term financial planning. First, the cost increases associated with housing in Maryland will force more residents to live just across the border in Delaware. Presuming some of those residents will continue to work in Maryland, there will be an increase in vehicle miles traveled (VMT) and traffic congestion. This will result in greater amounts of air pollution and increased nitrogen deposition in the Chesapeake Bay.

Another unintended consequence will be a lack of affordable housing. Maryland's growth controls targeted at rural areas will restrict housing construction. This will eventually cause a market imbalance where housing prices and rent costs increase. As the second poorest county in Maryland, a lack of affordable housing is a critical issue, particularly since much of the County's economic activity is presupposed on access to cost-effective labor.

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. 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 14—an increase of five cents raising the County property tax rate to 94 cents per $100 of assessed value. Because of a "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. The Commissioners also increased the County's income tax rate and have committed to use the new revenues for capital projects.

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 also adopted the first comprehensive pension reform since the employee's pension fund was established in 1969. Changes included a requirement for employees to contribute toward the pension system.

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 first year in six, the County granted employees a modest pay increase of one percent in the FY14 budget. 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 ninth 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.

Respectfully submitted,

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.

Government Finance Officers Association

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, 2012

Executive Director/CEO

Caroline County, Maryland
Governmental Organization
Certain Elected and Appointed Officials
As of June 30, 2013

Certain Elected Officials

County Commissioners	Wilbur Levengood, Jr. President Jefferson L. Ghrist, Vice President Larry C. Porter, Member

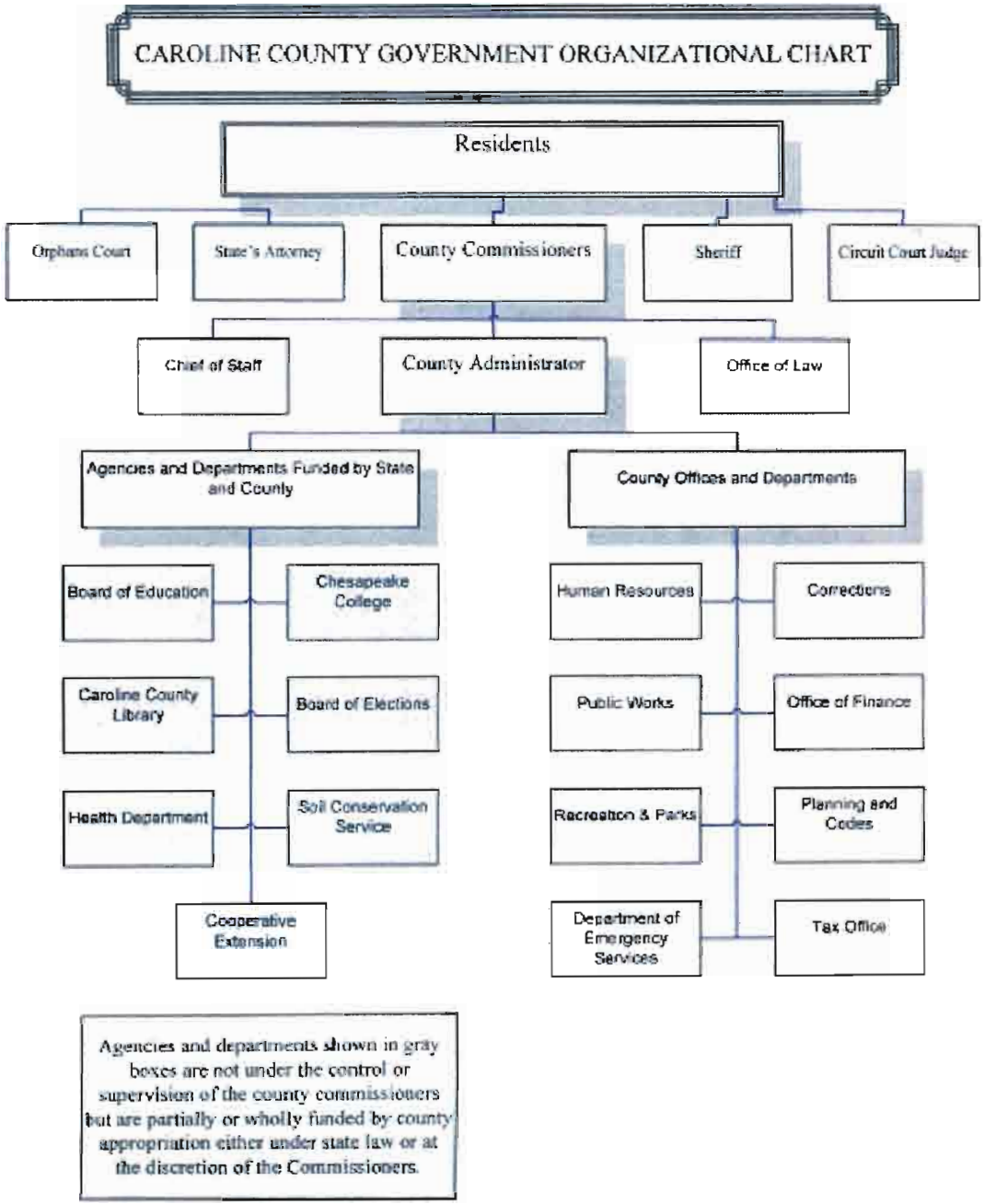
Certain Appointed Officials

County Administrator	Ken Decker
Finance Officer	Margaret C. Roe
Chief of Staff	Sara Visintainer
County Attorney	Heather Price
County Comptroller	Catherine P. Moore
Director of Planning & Codes	Katheleen Freeman
Director of Public Works	George Jamar

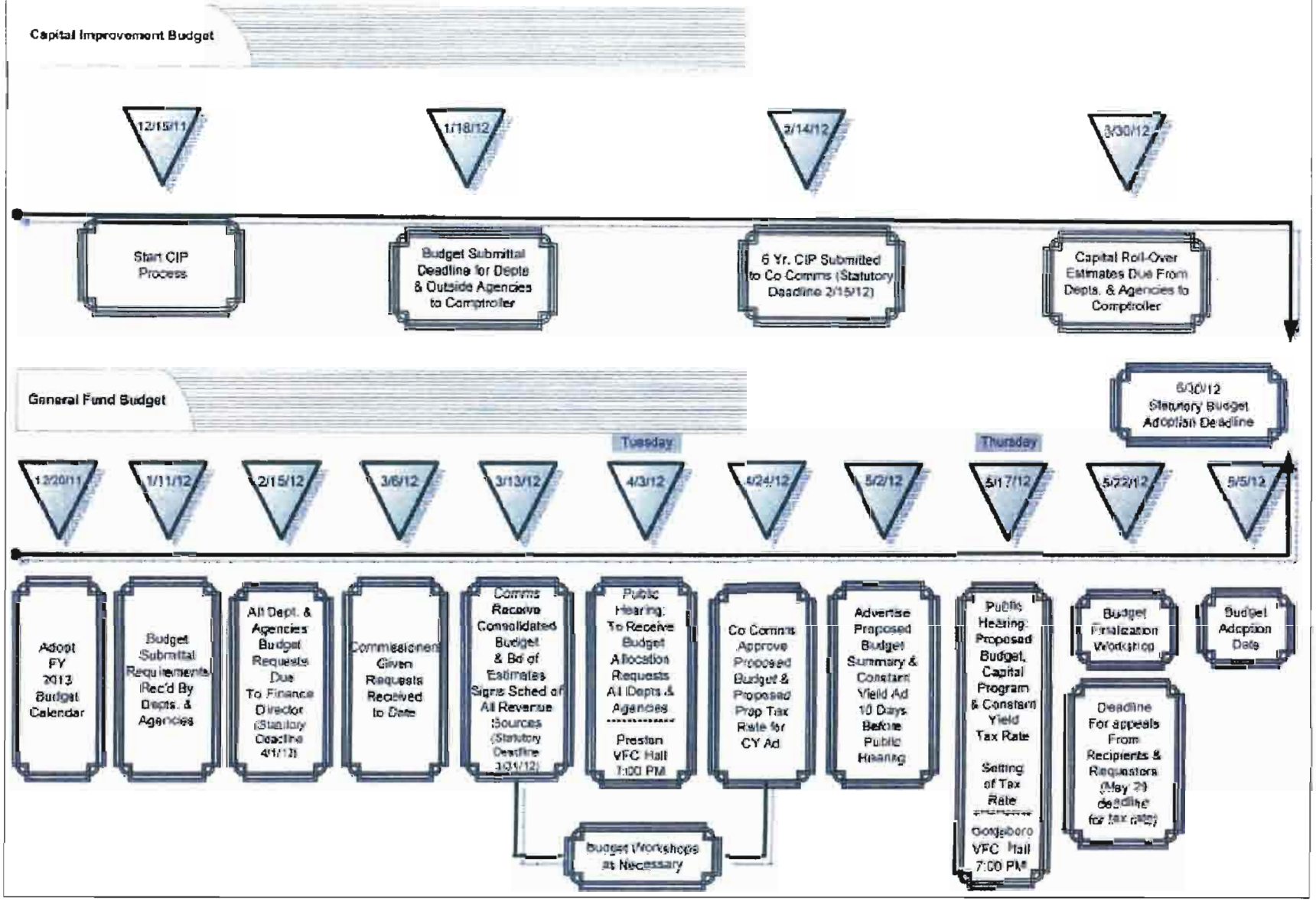
Independent Auditor
TGM Group LLC
Certified Public Accountants
Salisbury, Maryland

Bond Counsel
Funk and Bolton, P.A.
Baltimore, Maryland

Financial Advisor
Davenport & Company LLC
Towson, Maryland


CAROLINE COUNTY GOVERNMENT ORGANIZATIONAL CHART
Residents
Orphans Court
State's Attorney
County Commissioners
Sheriff
Circuit Court Judge
Chief of Staff
County Administrator
Office of Law
Agencies and Departments Funded by State and County
County Offices and Departments
Board of Education
Chesapeake College
Caroline County Library
Board of Elections
Health Department
Soil Conservation Service
Cooperative Extension
Human Resources
Corrections
Public Works
Office of Finance
Recreation & Parks
Planning and Codes
Department of Emergency Services
Tax Office
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 2013 BUDGET CALENDAR CAROLINE COUNTY, MARYLAND



FINANCIAL SECTION

TGM GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The County Commissioners of
Caroline County
Denton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Caroline County, Maryland (the "County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, 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 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Salisbury, Maryland
October 19, 2013

Executive Summary
Management Discussion and Analysis
Caroline County Government, FY 13 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

For Caroline County, the past fiscal year was a modest success. Despite the continued loss of property tax assessments and the increase in unfunded mandates (like sharing the burden of pension costs for local teachers), the County again balanced its operating budget. The County Commissioners accomplished this by 1) a modest property tax increase and a shift to a formula based differential for town taxpayers; and, 2) adopting an austerity budget that held the line on expenses.

The County continued to make progress on a number of longstanding financial issues. One of the most significant measures adopted by the County Commissioners was a comprehensive reform of the employee's pension system.

Reflected in the FY14 budget, for the first time since 1969 when the pension system was established, employees will be required to contribute to the fund. Newly hired employees will invest five (5) percent of wages. The contribution for existing employees will be phased in over the next decade at one-half percent per year. The Commissioners also adopted other changes to improve the pension fund's long term sustainability. This includes excluding future appointed ("at will") employees from participation in the pension system.

As with most local governments, employee compensation is the single biggest expense. While employees did not receive a pay increase or cost-of-living adjustment between FY 08 and FY 13, the County continued to provide competitive benefits including the defined benefit pension plan and excellent health insurance. During the FY 14 budget process, the Commissioners changed the base health insurance offering to a less generous plan; however, employees retained the right to "buy up" to the old coverage. With the implementation of the Affordable Care Act (ACA) on the immediate horizon, managing health insurance costs will continue to be a major concern.

Restructuring health insurance also provided the County with a small degree of financial relief since the County provides post-employment benefits to retirees. During the fiscal year, the County continued to draw down the Other Post-Employment Benefits (OPEB) fund. Restoring the OPEB fund to positive cash flow will be a priority in future budgets.

The County met its numerous mandatory spending requirements including fully funding the Caroline County public school system, Chesapeake College, Circuit Court, State's Attorney Office, and the Board of Elections. The County also fulfilled all scheduled debt service obligations.

During the year, the Commissioners voted against funding the proposed Allied Health/Gymnasium project at Chesapeake College. Despite a longstanding informal agreement between the Midshore counties not to incur debt for a capital project at the College without a consensus, three of the five counties voted in favor of the project and the requisite debt issuance.

In addition to the Allied Health/Gymnasium project, the Commissioners affirmed their support of the next project on the Board of Education's capital improvement schedule—the renovation of Preston Elementary School. While County remains under its self-imposed debt service limit, it will not be possible to remain within this limit without restructuring bond issuances, existing or new. The County did not incur any new debt during the past year.

The County made modest progress on capital and infrastructure spending. The total investment included budgeted line items and money captured from the annual "sweep" of funds budgeted but not spent. Despite making some headway, the overall level of expenditure remained far below both historic levels and the projected amount needed to make local government "pay-as-we-go." While the County purchased some fleet vehicles and made routine repairs to some roads and facilities, the overall amount of deferred maintenance—necessary expenditures that have been deferred due to financial constraints—increased.

In the FY 14 budget, the Commissioners voted to increase the property tax and income tax rates. These new revenues should allow the County to meet projected increases in costs. The increase in income taxes was made on the commitment that the new revenues will be spent on capital. The Commissioners also voted to increase some user fees and privatize some operations.

While the County struggled through yet another challenging year, there were signs of an improving economy. Housing prices appeared to stabilize and sales rose slightly. The initial loss of over $800,000 in property tax revenues due to declining property assessments in FY 13, was offset by raising the rate to constant yield and adjusting the differential to be formula based. This is likely the last major assessment drop for the County although some weakness may occur in FY 14.

Overall, the County seems to have turned a financial corner. While considerable work remains, particularly in tackling deferred maintenance, the County is making positive progress in improving its fiscal situation.

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, 2013. 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 $4,926,731 at June 30, 2013.

- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by $ 33,235,408 (net position). Of total net position $8,418,134 (unrestricted) may be used to meet the County's ongoing obligations to its citizens and creditors.

- The primary government's total net position increased by $2,636,469. 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, 2013, the County's governmental funds reported combined fund balances of $8.7 million, an increase of $1.2 million from the prior year. Approximately $ 4.7 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 2014 budget.

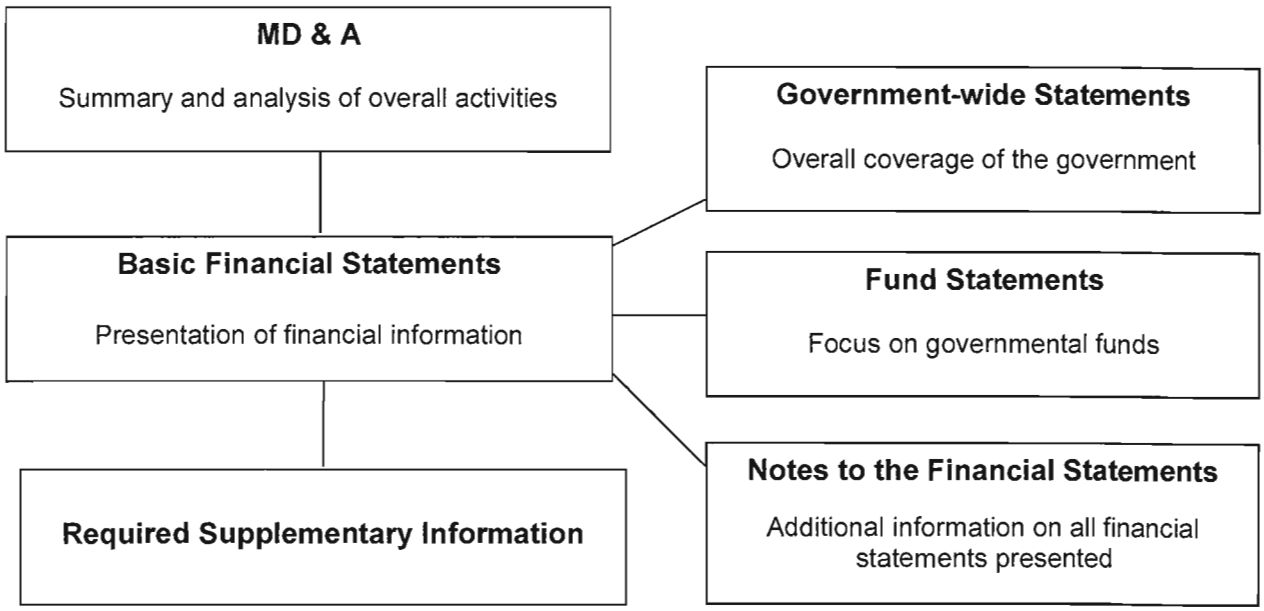
- Unassigned fund balance for the General Fund was $4,676,874 for the year ended June 30, 2013.

- Long-term Liabilities include approximately $ 28.3 million in bonds payable, approximately $ 3.4 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 Position and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position during the most recent fiscal year. Changes in net position 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, Broadband, and Jonestown water project.

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 financial 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-five 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, and the Special Grants Fund, which are considered to be major funds. Data from the other twenty-two 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, Basic Life Support function, Broadband, and Jonestown water project.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The Recreation Programs, Public Works, and Broadband Supply funds are combined while the Basic Life Support and Jonestown water project 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 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 eleventh 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	$15,406,326	$14,060,559	$1,024,636	$1,102,661	$16,430,962	$15,163,220
Capital assets, net of depreciation	55,998,538	57,741,696	1,194,728	345,023	57,193,266	58,086,719
Total assets	71,404,864	71,802,255	2,219,364	1,447,684	73,624,228	73,249,939
Noncurrent liabilities	38,088,369	40,825,902	-	-	38,088,369	40,825,902
Other liabilities	1,947,351	1,328,634	353,100	496,464	2,300,451	1,825,098
Total liabilities	40,035,720	42,154,536	353,100	496,464	40,388,820	42,651,000
Net assets:						
Invested in capital assets, net of related debt	22,400,051	22,018,273	1,194,728	345,023	23,594,779	22,363,296
Restricted	1,222,495	1,262,729	-	-	1,222,495	1,262,729
Unrestricted	7,746,598	6,366,717	671,536	606,197	8,418,134	6,972,914
Total net position	$31,369,144	$29,647,719	$1,866,264	$951,220	33,235,408	30,598,939

Net position may serve over time as a useful indicator of a government's financial position. In Caroline County, assets exceeded liabilities by approximately $33.3 million at the close of the most recent fiscal year, which is an increase of $2.6 million from the previous year.

By far, the largest portion of Caroline County's net position, approximately $23.6 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 $1.2 million of the County's net position is subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $8.4 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$2,149,331	$1,687,133	$2,625,967	$2,572,036	$4,775,298	$4,259,169
Operating grants	3,303,741	2,698,940	339,869	552,407	3,643,610	3,251,347
Capital grants	586,717	936,037	791,440	-	1,378,157	936,037
General revenues:						
Property taxes	24,106,972	23,932,023	-	-	24,106,972	23,932,023
Other taxes	12,948,765	12,489,087	-	-	12,948,765	12,489,087
Operating grants (Unrestricted)	2,656,463	2,486,371	-	-	2,656,463	2,486,371
Other	20,505	20,076	-	-	20,505	20,076
Total Revenues	45,772,494	44,249,667	3,757,276	3,124,443	49,529,770	47,374,110
Program Expenses:						
General Government	6,157,331	6,845,879	-	-	6,157,331	6,845,879
Public Safety	13,784,479	13,214,384	-	-	13,784,479	13,214,384
Public Works	4,142,162	4,573,494	-	-	4,142,162	4,573,494
Health	454,796	456,265	-	-	454,796	456,265
Social Services	131,212	133,412	-	-	131,212	133,412
Primary Education	13,497,885	14,109,214	-	-	13,497,885	14,109,214
Secondary Education	1,429,541	1,434,573	-	-	1,429,541	1,434,573
Recreation and Culture	1,373,010	1,172,538	-	-	1,373,010	1,172,538
Library	1,109,175	1,111,050	-	-	1,109,175	1,111,050
Conservation of Natural Res.	337,131	336,609	-	-	337,131	336,609
Economic Development	1,349,254	1,172,532	-	-	1,349,254	1,172,532
Interfaith Housing	6,000	-	-	-	6,000	-
Interest On Long-Term Debt	1,048,293	1,118,515	-	-	1,048,293	1,118,515
Other	-	-	2,073,032	2,167,914	2,073,032	2,167,914
Total Expenses	44,820,269	45,678,465	2,073,032	2,167,914	46,893,301	47,846,379
Excess (Deficiency) before transfers	952,225	(1,428,798)	1,684,244	956,529	2,636,469	(472,269)
Net Transfers in (out)	769,200	675,176	(769,200)	(675,176)	-	-
Change in Net Position	1,721,425	(753,622)	915,044	281,353	2,636,469	(472,269)
Net Position – Beginning	29,647,719	30,401,341	951,220	669,867	30,598,939	31,071,208
Net Position – Ending	$31,369,144	$29,647,719	$1,866,264	$951,220	$33,235,408	$30,598,939

Governmental activities shows an increase of $1,721,425. Business-type activities showed an increase in net position of $915,044.

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 $175 thousand during FY 2013. This increase is slightly more than the previous year's $40 thousand increase. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the southern 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 only slightly improved in FY 2013. FY 2013 income taxes revenues indicate employment is modestly recovering however a continuing declining real estate market have continued to erode Property tax revenues. Property taxes remained level despite the declining real estate market because although property assessments decreased the Commissioners raised the property tax rate from .87 per $100 to .89 per $100, constant yield.

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 gain of $ 28,782 in FY 2013 compared to a decrease in FY 2012 of $47,457.

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 decreased by $64,210 from FY 2012 to FY 2013. Expenses of the programs increased $ 41,328.

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 $ 43,738 a decrease of $ 5,120 compared to FY 2012.

The Jonestown Fund was established to separately account for Water service to Jonestown and surrounding properties. The system was built primarily with grants from CDBG, MDE, and USDA. Operation of this plant should start in October 2013. Billing will begin in FY15 and be included on the properties tax bill.

Combined business-type activities generated $1,684,244 in net revenues over expenses, with $ 769,200 transferred to governmental activities. This resulted in net position increasing by $915,044 from FY 2012.

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 $8.7 million. Approximately $4.7 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 2014 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 $4.7 million, while total fund balance was $4.9 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 $ 1,130,612 in FY 2013.
- Property tax revenue remained stable as the tax rate was raised to constant yield.
- Income tax remained stable from FY 2012 and was estimated conservatively. The over budget figure was $503,026
- Recordation tax increased $324,676 from FY12
- Departments primarily stayed within their budgets

In the FY 2013 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 2012 budget.

Fund balance of the capital improvement fund decreased by $ 488,539.

Post employee benefits fund was established as a trust fund in FY 2009. There was a token contribution of $66,000 for FY 2013. 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. Net position increased from $951,220 in 2012 to $1,866,264 in FY 2013. The primary reason for the increase was the creation of the asset of the Jonestown water system, primarily paid for with grant payments.

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.

Increases in fund balance are not expected in the near future due to the continuing uncertainty of the economy. The FY 2014 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

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.

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, 2013, amounts to $57.2 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	
	2013	2012	2013	2012	2013	2012
Land and Land Improvements	$12,913,511	$12,913,511	$ -	$ -	$12,913,511	$12,913,511
Non-depreciable infrastructure	17,052,974	17,052,974	-	-	17,052,974	17,052,974
Construction in progress	641,281	255,683	902,196	-	1,543,477	255,683
Infrastructure	7,528,873	7,833,930	-	-	7,528,873	7,833,930
Buildings	11,518,060	12,248,014	292,532	345,023	11,810,592	12,593,037
Improvements	3,105,574	3,494,155	-	-	3,105,574	3,494,155
Machinery and equipment	3,238,265	3,943,429	-	-	3,238,265	3,943,429
Total	$55,998,538	$57,741,696	$1,194,728	$345,023	57,193,266	$58,086,719

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 $31.7 million, which are backed by the full faith and credit of the County.

Caroline County's Outstanding Debt
General Obligation Bonds

June 30, 2013

	Governmental Activities	Business-type Activities	Total
General obligation bonds	$28,317,000	0	$28,317,000

During the current fiscal year, the County's general obligation debt decreased by $ 2.6 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 8.8% in June 2013. The State's average was 7.%. [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 2014.

County employees received no pay scale increase.

---

[1] Monthly Labor Review June 2013 Maryland Department of Labor, Licensing and Regulation www.dllr.state.md.us

The State of Maryland's budget problems have continued. It is uncertain how this will ultimately affect Caroline County. The shift of teacher's pensions to the local government in each county commenced in FY 13. While it did not have a large negative impact in FY 13 because of the offsetting grant; the FY 14 thru FY 16 shift will present serious challenges in balancing our budgets.

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

Page intentionally left blank

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	$ 2,046,985	$ 861,832	$ 2,908,817	$ 11,759,112
Investments	4,346,333	-	4,346,333	235,856
Deposits	114,446	-	114,446	-
Taxes receivable	6,942	-	6,942	-
Accounts receivable	1,408,206	162,804	1,571,010	896,845
Other receivables	3,128	-	3,128	-
Prepaid expenses	10,232	-	10,232	61,814
Inventories	239,625	-	239,625	44,209
Due from other governments	1,880,054	-	1,880,054	1,959,373
Other assets	5,350,375	-	5,350,375	-
Restricted assets:				
Investments	-	-	-	494,548
Capital assets:				
Nondepreciable assets	30,607,766	-	30,607,766	878,381
Depreciable assets, net	25,390,772	1,194,728	26,585,500	78,977,864
Total assets	71,404,864	2,219,364	73,624,228	95,308,002
LIABILITIES:				
Accounts payable	1,356,632	255,436	1,612,068	745,150
Accrued expenses	459,165	-	459,165	6,615,328
Due to other governments	1,200	-	1,200	-
Unearned revenue	172,279	16,986	189,265	1,189,946
Internal balances, net	(80,678)	80,678	-	-
Other liabilities	38,753	-	38,753	-
Non-current liabilities:				
Due within one year	3,347,615	-	3,347,615	621,210
Due in more than one year	34,740,754	-	34,740,754	26,122,037
Total liabilities	40,035,720	353,100	40,388,820	35,293,671
NET POSITION:				
Invested in capital assets, net of related debt	22,400,051	1,194,728	23,594,779	76,388,124
Restricted for:				
Fund purposes	1,222,495	-	1,222,495	72,718
Unrestricted	7,746,598	671,536	8,418,134	(16,446,511)
Total net position	$ 31,369,144	$ 1,866,264	$ 33,235,408	$ 60,014,331

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total Net Expense/ Revenue	Component Units
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	$ 6,157,331	$ 600,369	$ 1,230,071	$ -	$ (4,326,891)	$ -	$ (4,326,891)	$ -
Public Safety	13,784,479	1,134,368	942,510	-	(11,707,601)	-	(11,707,601)	-
Public Works	4,142,162	268,372	-	425,016	(3,448,774)	-	(3,448,774)	-
Health	454,796	196	-	-	(454,600)	-	(454,600)	-
Social services	131,212	7,258	-	-	(123,954)	-	(123,954)	-
Primary education	13,497,885	-	-	-	(13,497,885)	-	(13,497,885)	-
Secondary education	1,429,541	-	-	-	(1,429,541)	-	(1,429,541)	-
Library	1,109,175	-	-	-	(1,109,175)	-	(1,109,175)	-
Recreation and culture	1,368,010	65,476	60,156	39,279	(1,203,099)	-	(1,203,099)	-
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-
Conservation of natural resources	337,131	73,292	102,909	-	(160,930)	-	(160,930)	-
Interfaith housing	6,000	-	-	-	(6,000)	-	(6,000)	
Economic development	1,349,254	-	968,095	122,422	(258,737)	-	(258,737)	-
Interest on long-term debt	1,048,293	-	-	-	(1,048,293)	-	(1,048,293)	-
Total governmental activities	44,820,269	2,149,331	3,303,741	586,717	(38,780,480)	-	(38,780,480)	-
Business-type activities:								
Basic life support	572,597	1,343,084	-	-	-	770,487	770,487	-
Jonestown water system	-	-	-	791,440	-	791,440	791,440	
Recreation	495,678	184,591	339,869	-	-	28,782	28,782	-
Broadband supply	178,451	228,248	-	-	-	49,797	49,797	
Public works	826,306	870,044	-	-	-	43,738	43,738	-
Total business-type activities	2,073,032	2,625,967	339,869	791,440	-	1,684,244	1,684,244	-
Total primary government	$ 46,893,301	$ 4,775,298	$ 3,643,610	$ 1,378,157	(38,780,480)	1,684,244	(37,096,236)	-
COMPONENT UNITS:								
Board of Education of Caroline Co.	$ 76,174,452	$ 3,854,095	$ 9,461,949	$ 902,585	-	-	-	(61,955,823)
Board of Library Trustees of Caroline Co.	1,627,965	33,147	93,550	-	-	-	-	(1,501,268)
Total component units	$ 77,802,417	$ 3,887,242	$ 9,555,499	$ 902,585	-	-	-	(63,457,091)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2013

	Net (Expenses) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total Net Expense/ Revenue	Component Units
General revenues:				
Local property taxes	$ 24,106,972	$ -	$ 24,106,972	$ -
Income taxes	11,103,026	-	11,103,026	-
Other local taxes:				
Recordation tax	1,301,909	-	1,301,909	-
School construction excise tax	91,902	-	91,902	-
Mobile home tax	74,528	-	74,528	-
Transfer taxes	377,400	-	377,400	-
State shared general revenue	2,656,463	-	2,656,463	-
Interest and investment earnings	20,505	-	20,505	12,884
Other income	-	-	-	434,613
County and State appropriations	-	-	-	58,555,176
Net transfers in (out)	769,200	(769,200)	-	-
Total general revenues and transfers	40,501,905	(769,200)	39,732,705	59,002,673
Change in net position	1,721,425	915,044	2,636,469	(4,454,418)
Net position – beginning	29,647,719	951,220	30,598,939	64,468,749
Net position – ending	$ 31,369,144	$ 1,866,264	$ 33,235,408	$ 60,014,331

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Capital Improvements	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,724,440	$ 1,165,368	$ 1,728	$ 1,501,782	$ 6,393,318
Deposits	-	114,446	-	-	114,446
Receivables:					
Taxes	6,942	-	-	-	6,942
Accounts	-	713,292	404,862	290,052	1,408,206
Other	3,128	-	-	-	3,128
Due from other funds	356,885	482,663	-	2,912	842,460
Due from other governments	1,800,496	-	-	-	1,800,496
Prepaid items	10,232	-	-	-	10,232
Material and supplies, at cost	239,625	-	-	-	239,625
Other assets	-	-	-	656,937	656,937
Total assets	$ 6,141,748	$ 2,475,769	$ 406,590	$ 2,451,683	$ 11,475,790
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 310,712	$ 561,160	$ 404,813	$ 79,947	$ 1,356,632
Accrued items	459,165	-	-	-	459,165
Due to other funds	401,984	218,505	49	141,244	761,782
Due to other governments	-	-	-	1,200	1,200
Deferred revenues	37,372	-	-	134,907	172,279
Other liabilities	5,784	-	-	32,969	38,753
Total liabilities	1,215,017	779,665	404,862	390,267	2,789,811
Fund balance:					
Non-spendable	249,857	-	-	-	249,857
Restricted	-	-	1,728	1,220,767	1,222,495
Committed	-	1,696,104	-	226,881	1,922,985
Assigned	-	-	-	614,898	614,898
Unassigned	4,676,874	-	-	(1,130)	4,675,744
Total fund balance	4,926,731	1,696,104	1,728	2,061,416	8,685,979
Total liabilities and fund balance	$ 6,141,748	$ 2,475,769	$ 406,590	$ 2,451,683	$ 11,475,790

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2013

Total Governmental Fund Balance	$	8,685,979
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		55,998,538
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		79,558
Prepayment of county pension benefits		2,607,076
Prepayment of OPEB		2,086,362
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and loans payable		(31,729,363)
Dayspring Townhomes		(2,530,583)
Accrued landfill liability		(2,420,558)
Compensated absences which are not due and payable in the current period and, therefore, are not reported in the funds		(1,407,865)
Net position of Governmental Activities	$	31,369,144

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2013

	General Fund	Capital Improvements	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 37,094,944	$ 377,400	$ -	$ 106,266	$ 37,578,610
License and permits	153,835	-	-	196	154,031
Intergovernmental revenues	4,022,257	359,157	1,090,517	348,031	5,819,962
Charges for services	862,590	-	-	-	862,590
Miscellaneous revenues	65,732	169,393	-	1,122,176	1,357,301
Total revenues	42,199,358	905,950	1,090,517	1,576,669	45,772,494
Expenditures:					
General government	4,760,924	46,316	-	324,884	5,132,124
Public safety	12,252,493	417,139	-	588,847	13,258,479
Public works	3,270,378	506,530	-	-	3,776,908
Health	452,838	-	-	-	452,838
Social services	131,212	-	-	-	131,212
Primary education	13,206,305	291,580	-	-	13,497,885
Secondary education	1,481,864	-	-	-	1,481,864
Public Library	1,100,000	9,175	-	-	1,109,175
Recreation and parks	802,487	199,853	-	68,611	1,070,951
Arts	5,000	-	-	-	5,000
Conservation of natural resources	291,248	-	-	-	291,248
Interfaith housing	6,000	-	-	-	6,000
Economic development	242,850	-	1,090,517	15,887	1,349,254
Contingency	193,950	-	-	-	193,950
Debt Service:					
Principal	2,558,000	-	-	-	2,558,000
Interest and fiscal charges	1,048,293	-	-	-	1,048,293
Total expenditures	41,803,842	1,470,593	1,090,517	998,229	45,363,181
Excess (deficiency) of revenues over expenditures	395,516	(564,643)	-	578,440	409,313
Other financing sources (uses):					
Transfers in / (out)	735,096	76,104	-	(42,000)	769,200
Total other financing sources (uses)	735,096	76,104	-	(42,000)	769,200
Net change in fund balances	1,130,612	(488,539)	-	536,440	1,178,513
Fund balances, beginning	3,738,944	2,184,643	1,728	1,524,976	7,450,291
Change in reserve for materials and supplies	57,175	-	-	-	57,175
Fund balances, ending	$ 4,926,731	$ 1,696,104	$ 1,728	$ 2,061,416	$ 8,685,979

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, 2013

Net change in fund balance - Governmental Funds	$	1,178,513
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.		1,206,584
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.		(15,886)
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.		2,737,533
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.		(17,617)
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		(30,052)
Decrease in net OPEB prepaid		(460,969)
Decrease in reserve for materials and supplies		57,175
Depreciation expense		(2,933,856)
Change in net position of Governmental Activities	$	1,721,425

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Basic Life Support Fund	Jonestown Water System	Other Proprietary Funds	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 577,115	$ -	$ 284,717	$ 861,832
Accounts receivable	-	-	162,804	162,804
Total current assets	577,115	-	447,521	1,024,636
Noncurrent assets:				
Capital assets, net	-	902,196	292,532	1,194,728
Total assets	577,115	902,196	740,053	2,219,364
LIABILITIES:				
Current liabilities:				
Accounts payable	189,083	-	66,353	255,436
Due to other funds	-	-	80,678	80,678
Unearned revenue	-	-	16,986	16,986
Total current liabilities	189,083	-	164,017	353,100
Noncurrent liabilities:				
Long-term debt	-	-	-	-
Total liabilities	189,083	-	164,017	353,100
NET POSITION:				
Invested in capital assets	-	902,196	292,532	1,194,728
Unrestricted	388,032	-	283,504	671,536
Total net position	$ 388,032	$ 902,196	$ 576,036	$ 1,866,264

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2013

	Basic Life Support Fund	Jonestown Water System	Other Proprietary Funds	Total
Operating revenues:				
Charges for services	$ 1,343,084	$ -	$ 1,282,883	$ 2,625,967
Total operating revenues	1,343,084	-	1,282,883	2,625,967
Operating expenses:				
Personnel services	1,446	-	277,325	278,771
Operations and maintenance	571,151	-	1,170,619	1,741,770
Depreciation expense	-	-	52,491	52,491
Total operating expenses	572,597	-	1,500,435	2,073,032
Operating income (loss)	770,487	-	(217,552)	552,935
Nonoperating revenues (expenses):				
Intergovernmental revenues	-	791,440	339,869	1,131,309
Transfers in (out)	(879,956)	110,756	-	(769,200)
Total nonoperating revenues (expenses)	(879,956)	902,196	339,869	362,109
Change in net position	(109,469)	902,196	122,317	915,044
Net position, beginning of year	497,501	-	453,719	951,220
Net position, end of year	$ 388,032	$ 902,196	$ 576,036	$ 1,866,264

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED June 30, 2013

	Basic Life Support Fund	Jonestown Water System	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	$ 1,343,084	$ -	$ 1,333,671	$ 2,676,755
Cash paid to suppliers	(595,327)	-	(1,181,350)	(1,776,677)
Cash paid to employees	(1,446)	-	(277,325)	(278,771)
Net cash provided (used) by operating activities	746,311	-	(125,004)	621,307
Cash flows from noncapital financing activities:				
Transfers in (out)	(879,956)	110,756	-	(769,200)
Payment of interfund loan	-	-	(109,000)	(109,000)
Intergovernmental revenues	-	791,440	339,869	1,131,309
Net cash (used) provided by noncapital financing activities	(879,956)	902,196	230,869	253,109
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(902,196)	-	(902,196)
Net cash used by capital and related financing activities	-	(902,196)	-	(902,196)
Net (decrease) increase in cash and cash equivalents	(133,645)	-	105,865	(27,780)
Cash and cash equivalents, beginning of year	710,760	-	178,852	889,612
Cash and cash equivalents, end of year	$ 577,115	$ -	$ 284,717	$ 861,832
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 770,487	$ -	$ (217,552)	$ 552,935
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	52,491	52,491
(Increase)/decrease in accounts receivable	-	-	50,245	50,245
Increase/(decrease) in accounts payable	(24,176)	-	(10,731)	(34,907)
Increase in deferred revenue	-	-	543	543
Net cash provided (used) by operating activities	$ 746,311	$ -	$ (125,004)	$ 621,307

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Agency Funds	Employee Benefit Trust Funds
ASSETS:		
Cash and cash equivalents	$ 705,225	$ 1,636,579
Investments at fair value:		
Fixed income	-	9,017,691
Equity funds	-	10,474,850
Total investments at fair value	-	19,492,541
Taxes and other receivables	31,098	-
Total assets	$ 736,323	21,129,120
LIABILITIES:		
Accounts payable	159,528	-
Due to property owners	378,607	-
Due to other governments	193,996	-
Due to participants	4,192	-
Total liabilities	$ 736,323	-
NET POSITION:		
Held in trust for participants		$ 21,129,120

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED June 30, 2013

	Employee benefit Trust Funds
Additions:	
Contributions:	
Plan sponsor	$ 1,232,000
Employee	48,090
Gains	1,208,454
Interest, dividends and gains	591,938
Total additions	3,080,482
Deductions:	
Benefits paid	1,301,510
Transfers out	(22,827)
Administrative fees	105,475
Total deductions	1,384,158
Change in net position	1,696,324
Net position, beginning of year	19,432,796
Net position, end of year	$ 21,129,120

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2013

	Board of Education of Caroline County	Board of Library Trustees of Caroline County	Total
ASSETS:			
Cash	$ 11,727,860	$ 31,252	$ 11,759,112
Investments	-	235,856	235,856
Accounts receivable	823,878	72,967	896,845
Prepaid expenses	-	61,814	61,814
Inventories	44,209	-	44,209
Due from other governments	1,959,373	-	1,959,373
Restricted assets:			
Investments	-	494,548	494,548
Nondepreciable assets	878,381	-	878,381
Depreciable assets, net	78,167,233	810,631	78,977,864
Total assets	93,600,934	1,707,068	95,308,002
LIABILITIES:			
Accounts payable	721,086	24,064	745,150
Accrued expenses	6,582,779	32,549	6,615,328
Due to other governments	-	-	-
Deferred revenue	1,183,620	6,326	1,189,946
Accrued compensated absences	-	20,067	20,067
Long-term liabilities:			
Due within one year	621,210	-	621,210
Due in more than one year	26,101,970	-	26,101,970
Total liabilities	35,210,665	83,006	35,293,671
NET POSITION:			
Invested in capital assets, net of related debt	75,577,493	810,631	76,388,124
Restricted for:			
Fund purposes	-	72,718	72,718
Unrestricted (deficit)	(17,187,224)	740,713	(16,446,511)
Total net position	$ 58,390,269	$ 1,624,062	$ 60,014,331

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Board of Education of Caroline County	Net (Expenses) Revenue and Changes in Net Assets: Board of Library Trustees Caroline County	Net (Expenses) Revenue and Changes in Net Assets: Total Net Expense/ Revenue
COMPONENT UNITS:							
Board of Education of Caroline County	$ 76,174,452	$ 3,854,095	$ 9,461,949	$ 902,585	$ (61,955,823)	$ -	$ (61,955,823)
Board of Library Trustees of Caroline County	1,627,965	33,147	93,550	-	-	(1,501,268)	(1,501,268)
Total component units	$ 77,802,417	$ 3,887,242	$ 9,555,499	$ 902,585	(61,955,823)	(1,501,268)	(63,457,091)
General revenues:							
County appropriations					13,206,305	1,100,000	14,306,305
State appropriations					43,871,117	377,754	44,248,871
Interest and investment earnings					11,845	1,039	12,884
Miscellaneous					396,435	16,174	412,609
Total general revenue					57,485,702	1,494,967	58,980,669
Gain (loss) on disposal of equipment					(3,967)	25,971	22,004
Change in net position					(4,474,088)	19,670	(4,454,418)
Net position – beginning					62,864,357	1,604,392	64,468,749
Net position – ending					$ 58,390,269	$ 1,624,062	$ 60,014,331

See accompanying notes.

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

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 Position 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 **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.

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, Jonestown water system and broadband supply operations are classified as business-type activities.

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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. 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 Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted. Net position should be reported as restricted when constraints placed on the 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 position restricted for other purposes result from special revenue funds and the restrictions on their 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.

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 Fund is a major fund, and is 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 position, 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:

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 Jonestown Water System 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 position and changes in net position 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 Position.

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.

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 position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

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.

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.

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 consisting of supplies held for sale and use, are valued at cost using the First-In/First-Out Method. Inventorial items are recorded as expenditures when shipped (the consumption 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:

Caroline County Government	
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

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 – 12 years
Software	5 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 position 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 – 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 – all others that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund balances are classified as follows:

Nonspendable - cannot be spent because of its form.

Restricted - has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.

Committed - limitation imposed by the County Commissioners, through approval of resolutions.

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

D. Financial Statement Amounts (continued)

Assigned - amounts constrained by the County Commissioners to be used for a specific purpose. County resolution #2000-018 delegates certain financial authority to the County Commissioners.

Unassigned - is the residual classification for the General Fund.

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 position.

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.

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. Budgetary comparison schedules are presented for the General Fund, Capital Improvements 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.

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, 2013.

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 $2,908,817 and the bank balance was $3,214,413, 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:

Investment Type	Fair Value
Maryland Local Government Investment Pool	$ 4,346,333

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.

3. Cash Deposits and Investments (continued)

B. Primary Government (continued)

A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. 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, 2013, 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	$ 1,636,579
Less than 1 year	318,688
1-5 years	3,627,131
5-10 years	1,743,885
10-15 years	380,419
15-20 years	-
Total	$ 7,706,702

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, 2013 was $177,060 and $187,852 for the Employees' Pension Plan and the OPEB Trust, respectively.

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 $2,159,431 and the bank balance was $3,151,247. 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 $31,252 and the bank balance was $42,186, 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	$ 9,568,429

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	$ 730,404

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.

5. Interfund transactions

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
General Fund	$ 356,885	$ 401,984
Capital Improvements	482,663	218,505
Special Grants Fund	-	49
Other Governmental Funds	2,912	141,244
Total Governmental Funds	842,460	761,782
Proprietary Funds:		
Basic Life Support	-	-
Jonestown Water System	-	-
Other Proprietary Funds	-	80,678
Total Proprietary Funds	-	80,678
Total	$ 842,460	$ 842,460

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.

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, 2013, 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, 2013 is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 735,096	$ -
Capital Improvements	76,104	-
Special Grants Fund	-	-
Other Governmental Funds	-	42,000
Total Governmental Funds	811,200	42,000
Proprietary Funds:		
Basic Life Support	-	879,956
Jonestown Water System	110,756	-
Other Proprietary Funds	-	-
Total Proprietary Funds	110,756	879,956
Total	$ 921,956	$ 921,956

6. Capital assets

Caroline County

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Transfer / Decreases	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	$ 12,913,511	$ -	$ -	$ 12,913,511
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	255,683	451,717	(66,119)	641,281
Total capital assets, not depreciated	30,222,168	451,717	(66,119)	30,607,766
Capital assets, depreciated:				
Infrastructure	25,007,143	407,074	-	25,414,217
Buildings	28,158,641	56,364	-	28,215,005
Improvements	8,144,937	77,464	50,245	8,272,646
Machinery and equipment	14,038,013	213,965	(198,401)	14,053,577
Total capital assets, depreciated	75,348,734	754,867	(148,156)	75,955,445
Less: accumulated depreciation for:				
Infrastructure	(17,173,213)	(712,131)	-	(17,885,344)
Buildings	(15,910,627)	(786,318)	-	(16,696,945)
Improvements	(4,650,782)	(516,290)	-	(5,167,072)
Machinery and equipment	(10,094,584)	(919,117)	198,389	(10,815,312)
Total accumulated depreciation	(47,829,206)	(2,933,856)	198,389	(50,564,673)
Total capital assets, depreciated, net	27,519,528	(2,178,989)	50,233	25,390,772
Governmental activities capital assets, net	$ 57,741,696	$ (1,727,272)	$ (15,886)	$ 55,998,538
Business-type activities:				
Capital assets, not depreciated:				
Construction in progress	$ -	$ 902,196	$ -	$ 902,196
Capital assets, depreciated:				
Building and improvements	512,294	-	-	512,294
Less: accumulated depreciation for:				
Buildings and improvements	(167,271)	(52,491)	-	(219,762)
Total capital assets, depreciated, net	345,023	(52,491)	-	292,532
Business-type activities capital assets, net	$ 345,023	$ 849,705	$ -	$ 1,194,728

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	$	722,503
Public safety		935,863
Public works		930,590
Health		1,958
Recreation and culture		297,059
Conservation of natural resources		45,883
Total depreciation expense - Governmental Activities	$	2,933,856
Business-type Activities:		
Broadband supply	$	50,501
Public works		1,990
Jonestown water system		-
	$	52,491

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, 2013 was as follows:

Governmental Activities	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets, not depreciated:				
Construction in progress	$ 208,420	$ 487,874	$ -	$ 696,294
Land	182,087	-	-	182,087
Total capital assets, not depreciated	390,507	487,874	-	878,381
Capital assets, depreciated:				
Buildings and improvements	106,003,607	91,259	-	106,094,866
Furniture and equipment	1,503,163	154,421	(29,100)	1,628,484
Software	608,357	50,000	-	658,357
Vehicles	1,607,038	47,448	-	1,654,486
Total capital assets, depreciated	109,722,165	343,128	(29,100)	110,036,193
Less: accumulated depreciation for:				
Buildings and improvements	(27,150,913)	(2,192,391)	-	(29,343,304)
Furniture and equipment	(977,848)	(65,284)	28,510	(1,014,622)
Software	(537,821)	(40,088)	-	(577,909)
Vehicles	(947,986)	(152,415)	-	(1,100,401)
Total accumulated depreciation	(29,614,568)	(2,450,178)	28,510	(32,036,236)
Total capital assets, depreciated, net	80,107,597	(2,107,050)	(590)	77,999,957
Governmental activities capital assets, net	$ 80,498,104	$ (1,619,176)	$ (590)	$ 78,878,338
Business-type activities:				
Equipment	$ 922,830	$ 27,750	$ (23,800)	$ 926,780
Software	27,122	-	-	27,122
Vehicles	31,216	24,454	-	55,670
Total capital assets being depreciated	981,168	52,204	(23,800)	1,009,572
Less: accumulated depreciation:				
Equipment	(763,627)	(40,838)	19,833	(784,632)
Software	(18,986)	(5,424)	-	(24,410)
Vehicles	(31,216)	(2,038)	-	(33,254)
Total accumulated depreciation	(813,829)	(48,300)	19,833	(842,296)
Business-type activities capital assets, net	$ 167,339	$ 3,904	$ (3,967)	$ 167,276

6. Capital assets (continued)

Board of Education (continued)

Depreciation expense for the fiscal year ended June 30, 2013 was charged to governmental functions as follows:

Administration	$	100,375
School management and support		24,743
Other instructional costs		2,202,794
Pupil transportation		81,804
Maintenance of plant		40,462
Total depreciation expense	$	2,450,178

Library

Capital asset activity for the Library for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furnishings and equipment	$ 740,968	$ 12,187	$ (84,002)	$ 669,153
Vehicles	114,769	-	(84,870)	29,899
Leasehold improvements	282,145	29,593	-	311,738
Books and materials	1,131,085	107,775	-	1,238,860
	2,268,967	149,555	(168,872)	2,249,650
Accumulated depreciation:				
Furnishings and equipment	(599,163)	(44,531)	74,073	(569,621)
Vehicles	(106,282)	(8,487)	84,870	(29,899)
Leasehold improvements	(48,352)	(10,472)	-	(58,824)
Books and materials	(625,420)	(155,255)	-	(780,675)
	(1,379,217)	(218,745)	158,943	(1,439,019)
Net capital assets	$ 889,750	$ (69,190)	$ (9,929)	$ 810,631

Governmental activities depreciation expense was $218,745 for the fiscal year ended June 30, 2013.

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, 2013:

	Balance July 01, 2012	Additions	Retirements and Repayments	Balance June 30, 2013	Current Portion
Governmental activities:					
Bonds and loans	$ 34,339,686	$ -	$ 2,610,323	$ 31,729,363	$ 2,452,615
Unpaid vacation and sick pay benefits	1,570,981	-	163,116	1,407,865	895,000
Accrued landfill liability	2,384,652	35,906	-	2,420,558	-
Dayspring Townhomes	2,530,583	-	-	2,530,583	-
	$ 40,825,902	$ 35,906	$ 2,773,439	$ 38,088,369	$ 3,347,615

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

7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2013 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	$ 8,320,000
2008 Public Improvement Bond	3.50-4.50%	2008	2028	5,600,000	4,570,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	5,720,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	7,330,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	2,377,000
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	16,150
Chesapeake College	5.506%	2000	2020	535,000	245,000
Chesapeake College	3.500%	2003	2023	155,000	93,684
				$ 41,233,529	31,729,363
Other components:					
Long-term portion of unpaid vacation and sick pay benefits					1,407,865
Accrued landfill liability					2,420,558
Long-term obligations of Dayspring Townhomes					2,530,583
					$ 38,088,369

7. Long-term obligations (continued)

The annual requirements to amortize all general bonded debt and loans (excludes Midshore Business & Tech Park) at June 30, 2013 are as follows:

	Governmental Activities		
Fiscal Year Ending June 30	Principal	Interest	Total Requirement
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
	$ 28,671,834	$ 9,264,497	$ 37,936,331

7. Long-term obligations (continued)

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, 2013) 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 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 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 semiannual 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 $1,550,932 through the fiscal year ended June 30, 2030.

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:

Employees	Plan
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

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, 2013, 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 17.51% of annual covered payroll.

Funding status and progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 64.97% funded. The actuarial accrued liability was $22,806,887 and the actuarial value of assets was $14,816,969, resulting in an unfunded actuarial accrued liability (UAAL) of $7,989,918, equal to 113.84% of annual covered payroll. The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements.

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)	$	1,166,835
Interest on net pension obligation		(197,785)
Adjustment to annual required contribution		227,002
Annual pension cost		1,196,052
Contributions made		(1,166,000)
Decrease in net pension prepaid		30,052
Net pension obligation/(prepaid) at beginning of year		(2,637,128)
Net pension obligation/(prepaid) at end of year	$	(2,607,076)

The annual required contribution for the current year was determined as part of the July 1, 2012, 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, 2012, was 23 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)
2011	$ 960,745	80.67%	$ (2,912,189)
2012	$ 1,150,061	76.08%	$ (2,637,128)
2013	$ 1,196,052	97.49%	$ (2,607,076)

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% (7% for LEOPS) of their covered salary depending upon the retirement option selected. The current State contribution rate for the year ending 2013 is 12.29% for the employees system, 13.29% for the teachers system and 28.71% for LEOPS.

8. Retirement Plans (continued)

Employers' payroll covered under the plans

	June 30, 2013	June 30, 2012	June 30, 2011
Payroll covered under plans:			
County-MD retirement and pension	$ 1,369,133	$ 1,487,791	$ 1,477,935
Board of Education	37,446,711	35,359,702	38,007,682
Library	612,853	689,058	729,425
Pension contribution:			
County:			
MD retirement and pension	373,702	466,354	437,438
Percentage of ARC contributed	100%	100%	100%
Board of Education:			
On behalf by state	3,773,766	4,865,665	4,903,330
By Board	1,381,464	712,603	727,518
Percentage of ARC contributed	100%	100%	86%
Library:			
On behalf by state	109,922	122,498	139,375
Percentage of ARC contributed	100%	100%	86%

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 16% 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 $48,754 for the year ended June 30, 2013.

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 $10,985 to this plan for the year ended June 30, 2013.

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.

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, 2012, 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, 2013, the County paid for coverage for 41 retirees at a total cost of $215,400. The County made $66,000 in contributions to the Trust during the year ended June 30, 2013.

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 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 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.

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)	$	501,000
Interest on net OPEB obligation		(153,000)
Adjustment to annual required contribution		195,000
Annual OPEB cost		543,000
Contributions - pay as you go		(16,031)
Contributions - trust		(66,000)
Decrease in net OPEB prepaid		460,969
Net OPEB obligation/(prepaid) at beginning of year		(2,547,331)
Net OPEB obligation/(prepaid) at end of year	$	(2,086,362)

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)
2011	$ 509,807	71.94%	$ (2,817,611)
2012	$ 518,000	47.82%	$ (2,547,331)
2013	$ 543,000	15.11%	$ (2,086,362)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $7,550,000, and the actuarial value of assets was $4,319,000, resulting in an unfunded actuarial accrued liability (UAAL) of $3,231,000. 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 45.76 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.

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, 2012 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 7.0 percent initially, reduced by decrements to an ultimate rate of 4.6 percent in 2050. The UAAL is being amortized over a closed period of 23 years from July 1, 2012.

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

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, 2013, the Board paid for coverage of 336 retirees at a total cost to the Board of $1,857,417.

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.

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 $17,776,095. 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)	$	6,467,000
Adjustment to annual required contribution		(42,000)
Annual OPEB cost		6,425,000
Payments to retirees from general fund		(1,857,417)
Prefunding contributions		(153,125)
Increase in net OPEB obligation		4,414,458
Net OPEB obligation at beginning of year		17,776,095
Net OPEB obligation at end of year	$	22,190,553

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
2011	$ 6,032,000	30.48%	$12,919,609
2012	$ 6,407,000	24.20%	$17,776,095
2013	$ 6,425,000	31.29%	$22,190,553

Funding Status and Funding Progress

As of July 1, 2012 the actuarial accrued liability (AAL) for benefits was $71.8 million with $301,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $71.5 million. The annual payroll of active employees covered by the Plan was $37 million and the ratio of the UAAL to covered payroll was 191.03%. As of June 30, 2013, there were $804 thousand held in trust for other post-employment benefits.

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.

10. Fiduciary segment information

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

	Employee Benefit Trusts				
	Employees' Pension Plan	LOSAP	OPEB Trust	Retiree Health Care	Totals
ASSETS:					
Cash and cash equivalents	$ 871,847	$ 528,207	$ 204,956	$ 31,569	$ 1,636,579
Investments at fair value:					
Fixed income	6,101,476	-	2,916,215	-	9,017,691
Equity funds	9,412,871	-	1,061,979	-	10,474,850
Total investments at fair value	15,514,347	-	3,978,194	-	19,492,541
Total assets	16,386,194	528,207	4,183,150	31,569	21,129,120
LIABILITIES:					
Due to participants	-	-	-	-	-
Total liabilities	-	-	-	-	-
NET POSITION:					
Held in trust for participants	$ 16,386,194	$ 528,207	$ 4,183,150	$ 31,569	$ 21,129,120
Additions:					
Contributions:					
Plan sponsor	$ 1,166,000	$ -	$ 66,000	$ -	$ 1,232,000
Employee	-	-	-	48,090	48,090
Gains	1,126,006	-	82,448	-	1,208,454
Interest and dividends	422,123	4,435	165,346	34	591,938
Total additions	2,714,129	4,435	313,794	48,124	3,080,482
Deductions:					
Benefits paid	1,063,501	105,152	-	132,857	1,301,510
Transfers (in) out	-	(103,000)	199,368	(119,195)	(22,827)
Administrative fees	61,118	-	12,204	32,153	105,475
Total deductions	1,124,619	2,152	211,572	45,815	1,384,158
Change in net position	1,589,510	2,283	102,222	2,309	1,696,324
Net position, beginning of year	14,796,684	525,924	4,080,928	29,260	19,432,796
Net position, end of year	$ 16,386,194	$ 528,207	$ 4,183,150	$ 31,569	$ 21,129,120

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, 2013 totaled approximately $103,000. These leases expire at various dates through 2017.

At June 30, 2013, the County has contractual agreements requiring approximately the following annual rental payments:

Fiscal Year Ending June 30	
2014	$ 57,000
2015	39,000
2016	12,000
2017	4,000
2018	-
	$ 112,000

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, 2013 were $13,704.

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

Fiscal Year Ending June 30	
2014	$ 13,704
2015	13,704
2016	13,704
2017	13,704
2018	13,704

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, 2013 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	$	349,394
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of $47,080, including interest through 2017		377,219
Vehicle lease, interest at 6.4%; payable in monthly installments of $803 through August 2012 and $1,114 through August 2013, including interest through 2013		1,108
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately $42,000 to $470,000 through October 2025		2,740,400
	$	3,468,121

11. Leases (continued)

Board of Education

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

Fiscal Year Ending June 30	
2014	$ 395,819
2015	422,257
2016	434,996
2017	445,516
2018	413,034
2019 - 2023	2,058,471
2024 - 2026	126,685
	4,296,778
Less amounts representing interest	828,657
Present value of net minimum lease payments	$ 3,468,121

Interest expense on the above capital leases was approximately $151,400 for the year ended June 30, 2013.

The following is a summary of the changes in capital leases for the year ended June 30, 2013:

	July 01, 2012	Additions	Payments	June 30, 2013
Capital leases	$ 3,752,962	$ -	$ 284,841	$ 3,468,121

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 $1,145,808 at June 30, 2013.

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:

Fiscal Year Ending June 30	
2014	$ 403,000
2015	391,000
2016	112,000
2017	56,000
2018	13,000

Rent expense under these leases totaled approximately $490,000 for the year ended June 30, 2013.

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, 2013, total closure and post closure care costs were estimated at approximately $23.6 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, 2013, a portion of these costs, $9.8 million, determined by the estimated useful life of the Landfills.

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, 2012. MES expects to satisfy these requirements as of June 30, 2013 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 following funds had expenditures exceed budgeted amounts.

	Budget	Actual	Variance
Special revenue grants fund	$ 975,883	$ 1,090,517	$ (114,634)
OJP grant law enforcement	23,351	89,497	(66,146)
Summerfest fund	36,500	38,578	(2,078)
Law library	10,100	26,919	(16,819)

Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes – property:				
Real and personal property, net	$ 23,673,000	$ 23,673,000	$ 23,821,794	$ 148,794
Penalties, interest and fees	300,000	300,000	285,178	(14,822)
Total taxes - property	23,973,000	23,973,000	24,106,972	133,972
Taxes – income	10,600,000	10,600,000	11,103,026	503,026
Taxes – other local:				
Recordation	1,100,000	1,100,000	1,301,909	201,909
Franchise tax	136,000	136,000	154,576	18,576
Mobile home	80,000	80,000	74,528	(5,472)
Total taxes – other local	1,316,000	1,316,000	1,531,013	215,013
Taxes – state-shared:				
Highway users	366,867	366,867	353,933	(12,934)
Licenses and permits:				
Liquor	60,000	60,000	62,404	2,404
Traders license	24,000	24,000	22,175	(1,825)
Building permits	103,000	103,000	59,502	(43,498)
Other	13,000	13,000	9,754	(3,246)
Total licenses and permits	200,000	200,000	153,835	(46,165)
Intergovernmental revenue:				
Grants from federal government:				
Emergency management	67,000	67,000	66,771	(229)
MDA soil conservation grant	55,446	55,446	-	(55,446)
Other federal grants	1,000	1,000	2,800	1,800
Temporary food assistance	5,000	5,000	5,000	-
MFS soil conservation	47,557	47,557	-	(47,557)
Federal disaster aid	-	-	164,530	164,530
Adult drug court grant	126,526	126,526	100,814	(25,712)
Incremental grant	365,341	365,341	47,465	(317,876)
Total grants from federal government	667,870	667,870	387,380	(280,490)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues (continued):				
Grants from state government:				
Equity grant	$ 2,131,782	$ 2,131,782	$ 2,131,782	$ -
Police protection	107,710	107,710	107,710	-
Teacher retirement supplement	685,108	685,108	685,108	-
Tobacco and Teen Court	-	-	-	-
Family services grant	158,893	158,893	132,524	(26,369)
Juvenile Drug Court	64,488	64,488	58,998	(5,490)
Fire companies	206,536	206,536	208,524	1,988
Other	75,551	75,551	172,849	97,298
Total grants from state government	3,430,068	3,430,068	3,497,495	67,427
Other Grants:				
School Resource Officer Grant	140,000	140,000	136,700	(3,300)
Other Grants	-	-	682	682
Total other grants	140,000	140,000	137,382	(2,618)
Charges for services:				
General government	206,100	206,100	193,503	(12,597)
Public safety	415,000	415,000	420,101	5,101
Public works	137,500	137,500	166,338	28,838
Recreation charges	53,280	53,280	52,246	(1,034)
Health	10,000	10,000	13,509	3,509
Weed control	16,000	16,000	16,893	893
Total charges for services	837,880	837,880	862,590	24,710
Miscellaneous revenues:				
Interest	7,000	7,000	6,870	(130)
Rents	36,754	36,754	35,549	(1,205)
Municipal infrastructure	23,313	23,313	23,313	-
Total miscellaneous revenues	67,067	67,067	65,732	(1,335)
Total revenues - General Fund	$ 41,598,752	$ 41,598,752	$ 42,199,358	$ 600,606

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures:				
General government:				
County commissioners	$ 453,033	$ 453,033	$ 443,148	$ (9,885)
Ethics commission	200	200	-	(200)
Juvenile inter government grant	15,043	15,043	14,997	(46)
Judicial:				
Drug Court	126,526	126,526	100,985	(25,541)
Juvenile Drug Court	64,488	64,488	58,998	(5,490)
Family services grant	176,267	176,267	161,193	(15,074)
Circuit Court	284,430	284,430	266,721	(17,709)
Orphan's Court	19,140	19,140	18,765	(375)
State's attorney	734,330	734,330	732,806	(1,524)
Total judicial	1,405,181	1,405,181	1,339,468	(65,713)
Elections	350,550	350,550	342,742	(7,808)
State department of assessments	245,000	245,000	242,451	(2,549)
Tax Office	281,803	281,803	278,927	(2,876)
Office of Finance	301,682	301,682	287,307	(14,375)
Legal services	191,763	191,763	191,984	221
Office of Human Resources	418,110	418,110	431,889	13,779
Planning and codes administration	1,024,621	1,024,621	670,554	(354,067)
General services	187,918	187,918	147,007	(40,911)
Town planning grants	12,500	12,500	12,500	-
Office of Technology	356,054	356,054	357,950	1,896
Total general government	5,243,458	5,243,458	4,760,924	(482,534)
Public safety:				
Sheriff's department	2,526,627	2,526,627	2,610,939	84,312
Courthouse security	241,183	241,183	228,677	(12,506)
School Resource Officer	183,230	183,230	182,365	(865)
Tobacco and Teen Court Program	-	-	-	-
Adult offender Comm. Service	30,720	30,720	30,720	-
Fire protection	1,408,499	1,408,499	1,410,487	1,988
Corrections	3,465,416	3,465,416	3,507,408	41,992
Emergency Services - admin.	236,999	236,999	241,628	4,629
Emergency Services - comm.	1,208,182	1,208,182	1,194,317	(13,865)
Emergency Services - med services	2,261,045	2,261,045	2,420,334	159,289
Emergency Services - risk mgmt.	125,856	125,856	127,303	1,447
Animal control	275,000	275,000	275,000	-
Liquor licensing	14,670	14,670	23,315	8,645
Total public safety	11,977,427	11,977,427	12,252,493	275,066

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures (continued):				
Public works:				
Administration	$ 481,560	$ 481,560	$ 465,786	$ (15,774)
Central shop	615,207	615,207	619,439	4,232
Solid waste disposal	375,713	375,713	222,192	(153,521)
Johnsongrass	74,163	74,163	70,998	(3,165)
Mosquito control	69,109	69,109	57,549	(11,560)
Roads	1,393,303	1,393,303	1,347,056	(46,247)
County buildings	492,012	492,012	487,358	(4,654)
Total public works	3,501,067	3,501,067	3,270,378	(230,689)
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	131,212	(150)
Education:				
Primary education	13,206,304	13,206,304	13,206,305	1
Chesapeake College	1,483,289	1,483,289	1,481,864	(1,425)
Culinary school	-	-	-	-
Total education	14,689,593	14,689,593	14,688,169	(1,424)
Public library	1,100,000	1,100,000	1,100,000	-
Recreation and parks	811,919	811,919	802,487	(9,432)
Arts	5,000	5,000	5,000	-
Conservation of natural resources	299,274	299,274	291,248	(8,026)
Interfaith housing	6,000	6,000	6,000	-
Economic development	242,850	242,850	242,850	-
Contingency	151,492	151,492	193,950	42,458
Debt service:				
Principal	2,566,287	2,566,287	2,558,000	(8,287)
Interest	1,053,843	1,053,843	1,048,293	(5,550)
Total debt service	3,620,130	3,620,130	3,606,293	(13,837)
Total expenditures – General Fund	42,232,420	42,232,420	41,803,842	(428,578)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Other financing sources (uses):				
Transfer in from:				
Educational facilities	$ 60,000	$ 60,000	$ 60,000	-
Basic life support	663,000	663,000	693,096	30,096
Transfer out to:				
4-H park	(24,332)	(24,332)	(18,000)	(6,332)
Sick leave unfunded liability	(65,000)	(65,000)	-	(65,000)
Total other financing sources (uses) – General Fund	633,668	633,668	735,096	101,428
Total expenditures and other financing sources (uses)	41,598,752	41,598,752	41,068,746	(530,006)
Net change in fund balances	$ -	$ -	$ 1,130,612	$ 1,130,612

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE GRANTS FUND

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental revenues	$ 975,883	$ 975,883	$ 1,090,517	$ 114,634
Expenditures:				
Economic development	975,883	975,883	1,090,517	114,634
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, 2013

Valuation Date	(a) Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded as a Percent of Payroll
July 1, 2012	$ 14,816,969	$ 22,806,887	$ 7,989,918	64.97%	$ 7,018,323	113.84%
July 1, 2011	$ 14,105,253	$ 21,620,665	$ 7,515,412	65.24%	$ 7,060,145	106.45%
July 1, 2010	$ 14,195,237	$ 19,709,260	$ 5,514,023	72.02%	$ 7,101,829	77.64%
July 1, 2009	$ 14,016,282	$ 17,363,359	$ 3,347,077	80.72%	$ 7,937,968	42.17%
July 1, 2008	$ 13,583,409	$ 18,425,556	$ 4,842,147	73.72%	$ 9,323,986	51.93%
July 1, 2007	$ 11,904,279	$ 16,976,810	$ 5,072,531	70.12%	$ 9,191,745	55.19%
July 1, 2006	$ 9,897,605	$ 15,409,505	$ 5,511,900	64.23%	$ 8,520,406	64.69%
July 1, 2005	$ 7,917,091	$ 13,514,678	$ 5,597,587	58.58%	$ 7,103,488	78.80%
July 1, 2004	$ 7,326,327	$ 11,593,642	$ 4,267,315	63.19%	$ 6,543,269	65.22%
July 1, 2003	$ 7,082,092	$ 10,295,609	$ 3,213,517	68.79%	$ 6,397,204	50.23%

(a) Assets are valued at actuarial assets.

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

SCHEDULE OF EMPLOYER CONTRIBUTIONS-
CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN
June 30, 2013

Year Ended June 30,	Annual Required Contribution	Actual Contribution		Shortfall / (Excess)
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
2013	$ 1,166,835	$ 1,166,000		$ 835

(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, 2013

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, 2012 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, 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%
July 1, 2012	$ 4,319,000	$ 7,550,000	$ 3,231,000	57.21%	$ 7,060,145	45.76%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2011	$ 509,807	$ 366,731	71.94%	$ (2,817,611)
June 30, 2012	$ 518,000	$ 247,720	47.82%	$ (2,547,331)
June 30, 2013	$ 543,000	$ 82,031	15.11%	$ (2,086,362)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

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 adpoted for the Dayspring Townhomes, Revolving Loan, MEAF Revolving Loan, Equitable Sharing Task, Health Department and SHS Medical funds. 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 approprations 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, 2013.

Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds						
	4-H Park	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan	Dog Licenses	Equitable Sharing Task Force
ASSETS:							
Cash and cash equivalents	$ 21,580	$ -	$ -	$ 83,234	$ 143,976	$ 196	$ -
Accounts receivable	-	6,622	-	125,363	7,917	-	-
Due from other funds	-	2,912	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total assets	$ 21,580	$ 9,534	$ -	$ 208,597	$ 151,893	$ 196	$ -
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 1,347	$ 4,363	$ -	$ -	$ -	$ 196	$ -
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	1,347	4,363	-	-	-	196	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	5,171	-	208,597	151,893	-	-
Committed	-	-	-	-	-	-	-
Assigned	20,233	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	20,233	5,171	-	208,597	151,893	-	-
Total liabilities and fund balances	$ 21,580	$ 9,534	$ -	$ 208,597	$ 151,893	$ 196	$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2013

	Special Revenue Funds						
	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library	Critical Area Forestry	Forest Conservation
ASSETS:							
Cash and cash equivalents	$ 27,450	$ 127,338	$ 18,630	$ 10,667	$ 46,934	$ 15,416	$ 22,976
Accounts receivable	-	-	-	3,656	3,755	-	-
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	4,006	-	-	-	-
Total assets	$ 27,450	$ 127,338	$ 22,636	$ 14,323	$ 50,689	$ 15,416	$ 22,976
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ -	$ -	$ (274)	$ 10,166	$ 3,118	$ -	$ -
Due to other funds	-	-	-	-	3,141	-	-
Due to other governments	-	1,200	-	-	-	-	-
Deferred revenues	-	-	14,907	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	1,200	14,633	10,166	6,259	-	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	4,157	44,430	-	-
Committed	27,450	126,138	-	-	-	15,416	22,976
Assigned	-	-	8,003	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	27,450	126,138	8,003	4,157	44,430	15,416	22,976
Total liabilities and fund balances	$ 27,450	$ 127,338	$ 22,636	$ 14,323	$ 50,689	$ 15,416	$ 22,976

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2013

	Special Revenue Funds						
	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical	Drug Task Force	Dayspring Townhomes
ASSETS:							
Cash and cash equivalents	$ -	$ 68,000	$ 518,662	$ 16,425	$ 120,000	$ 159,221	$ 66,176
Accounts receivable	134,121	-	-	-	-	-	8,618
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	652,931
Total assets	$ 134,121	$ 68,000	$ 518,662	$ 16,425	$ 120,000	$ 159,221	$ 727,725
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 2,941	$ -	$ -	$ 16,425	$ -	$ 1,634	$ 40,031
Due to other funds	132,310	-	-	-	-	5,793	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	120,000	-	-
Other liabilities	-	-	-	-	-	-	32,969
Total liabilities	135,251	-	-	16,425	120,000	7,427	73,000
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	151,794	654,725
Committed	-	-	-	-	-	-	-
Assigned	-	68,000	518,662	-	-	-	-
Unassigned	(1,130)	-	-	-	-	-	-
Total fund balances (deficit)	(1,130)	68,000	518,662	-	-	151,794	654,725
Total liabilities and fund balances	$ 134,121	$ 68,000	$ 518,662	$ 16,425	$ 120,000	$ 159,221	$ 727,725

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2013

	Capital Projects Fund	
	Educational Facilities	Totals
ASSETS:		
Cash and cash equivalents	$ 34,901	$ 1,501,782
Accounts receivable	-	290,052
Due from other funds	-	2,912
Other assets	-	656,937
Total assets	$ 34,901	$ 2,451,683
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts payable	$ -	$ 79,947
Due to other funds	-	141,244
Due to other governments	-	1,200
Deferred revenues	-	134,907
Other liabilities	-	32,969
Total liabilities	-	390,267
Fund balances:		
Non-spendable	-	-
Restricted	-	1,220,767
Committed	34,901	226,881
Assigned	-	614,898
Unassigned	-	(1,130)
Total fund balances (deficit)	34,901	2,061,416
Total liabilities and fund balances	$ 34,901	$ 2,451,683

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2013

	Special Revenue Funds						
	4-H Park	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan	Dog Licenses	Equitable Sharing Task Force
Revenues:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	196	-
Intergovernmental revenues	-	87,956	-	-	-	-	-
Miscellaneous revenues	14,281	-	-	7,069	421	-	1,983
Total revenues	14,281	87,956	-	7,069	421	196	1,983
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	89,497	-	-	-	196	1,983
Recreation and culture	30,033	-	-	-	-	-	-
Economic development	-	-	-	14,201	-	-	-
Total expenditures	30,033	89,497	-	14,201	-	196	1,983
Excess (deficiency) of revenues over expenditures	(15,752)	(1,541)	-	(7,132)	421	-	-
Other financing sources (uses):							
Transfers in (out)	18,000	-	-	-	-	-	-
Total other financing sources (uses)	18,000	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,248	(1,541)	-	(7,132)	421	-	-
Fund balances (deficit), beginning	17,985	6,712	-	215,729	151,472	-	-
Fund balances (deficit), ending	$ 20,233	$ 5,171	$ -	$ 208,597	$ 151,893	$ -	$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2013

	Special Revenue Funds						
	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library	Critical Area Forestry	Forest Conservation
Revenues:							
Taxes	$ 8,500	$ 5,864	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Miscellaneous revenues	-	-	41,086	156,258	11,370	4,173	200
Total revenues	8,500	5,864	41,086	156,258	11,370	4,173	200
Expenditures:							
General government	-	-	-	-	26,919	-	-
Public safety	-	-	-	146,668	-	-	-
Recreation and culture	-	-	38,578	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total expenditures	-	-	38,578	146,668	26,919	-	-
Excess (deficiency) of revenues over expenditures	8,500	5,864	2,508	9,590	(15,549)	4,173	200
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	8,500	5,864	2,508	9,590	(15,549)	4,173	200
Fund balances (deficit), beginning	18,950	120,274	5,495	(5,433)	59,979	11,243	22,776
Fund balances (deficit), ending	$ 27,450	$ 126,138	$ 8,003	$ 4,157	$ 44,430	$ 15,416	$ 22,976

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2013

	Special Revenue Funds						
	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical	Drug Task Force	Dayspring Townhomes
Revenues:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	260,075	-	-	-	-	-	-
Miscellaneous revenues	-	-	518,662	-	-	70,650	296,023
Total revenues	260,075	-	518,662	-	-	70,650	296,023
Expenditures:							
General government	-	-	-	-	-	-	297,965
Public safety	264,023	-	-	-	-	86,480	-
Recreation and culture	-	-	-	-	-	-	-
Economic development	-	1,686	-	-	-	-	-
Total expenditures	264,023	1,686	-	-	-	86,480	297,965
Excess (deficiency) of revenues over expenditures	(3,948)	(1,686)	518,662	-	-	(15,830)	(1,942)
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	(3,948)	(1,686)	518,662	-	-	(15,830)	(1,942)
Fund balances (deficit), beginning	2,818	69,686	-	-	-	167,624	656,667
Fund balances (deficit), ending	$ (1,130)	$ 68,000	$ 518,662	$ -	$ -	$ 151,794	$ 654,725

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2013

	Capital Projects Fund	
	Educational Facilities	Totals
Revenues:		
Taxes	$ 91,902	$ 106,266
Licenses and permits	-	196
Intergovernmental revenues	-	348,031
Miscellaneous revenues	-	1,122,176
Total revenues	91,902	1,576,669
Expenditures:		
General government	-	324,884
Public safety	-	588,847
Recreation and culture	-	68,611
Economic development	-	15,887
Total expenditures	-	998,229
Excess (deficiency) of revenues over expenditures	91,902	578,440
Other financing sources (uses):		
Transfers in (out)	(60,000)	(42,000)
Total other financing sources (uses)	(60,000)	(42,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	31,902	536,440
Fund balances (deficit), beginning	2,999	1,524,976
Fund balances (deficit), ending	$ 34,901	$ 2,061,416

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2013

	AGENCY										
	State Property Tax Fund	Town Property Tax Fund	DMV Tag Sales Fund	Hotel Rental Tax	Tax Sale Proceeds Fund	Inmate Account	Confiscated Properties Fund	Bay Restoration Fund	Public Drainage Association	Home Builder Guaranty Fund	Totals
ASSETS:											
Cash and cash equivalents	$ 39,113	$ 85,749	$ 13,765	$ 3,503	$ 100,005	$ 4,192	$ 42,245	$ 37,936	$ 378,617	$ 100	$ 705,225
Taxes and other receivables	12,198	18,900	-	-	-	-	-	-	-	-	31,098
Total assets	$ 51,311	$ 104,649	$ 13,765	$ 3,503	$ 100,005	$ 4,192	$ 42,245	$ 37,936	$ 378,617	$ 100	$ 736,323
LIABILITIES:											
Accounts payable	$ -	$ -	$ 13,765	$ 3,503	$ 100,005	$ -	$ 42,245	$ -	$ 10	$ -	$ 159,528
Due to property owners	-	-	-	-	-	-	-	-	378,607	-	378,607
Due to other governments	51,311	104,649	-	-	-	-	-	37,936	-	100	193,996
Due to participants	-	-	-	-	-	4,192	-	-	-	-	4,192
Total liabilities	$ 51,311	$ 104,649	$ 13,765	$ 3,503	$ 100,005	$ 4,192	$ 42,245	$ 37,936	$ 378,617	$ 100	$ 736,323

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
State Property Tax Fund:				
Assets:				
Cash and cash equivalents	$ 43,619	$ 2,617,201	$ 2,621,707	$ 39,113
Taxes and other receivables	12,035	3,025,691	3,025,528	12,198
Total assets	$ 55,654	$ 5,642,892	$ 5,647,235	$ 51,311
Liabilities:				
Due to other governments	$ 55,654	$ 3,025,691	$ 3,030,034	$ 51,311
Total liabilities	$ 55,654	$ 3,025,691	$ 3,030,034	$ 51,311
Town Property Tax Fund:				
Assets:				
Cash and cash equivalents	$ 66,277	$ 5,019,711	$ 5,000,239	$ 85,749
Taxes and other receivables	22,124	5,001,356	5,004,580	18,900
Total assets	$ 88,401	$ 10,021,067	$ 10,004,819	$ 104,649
Liabilities:				
Due to other governments	$ 88,401	$ 5,001,356	$ 4,985,108	$ 104,649
Total liabilities	$ 88,401	$ 5,001,356	$ 4,985,108	$ 104,649
DMV Tag Sales Fund:				
Assets:				
Cash and cash equivalents	$ -	$ 324,738	$ 310,973	$ 13,765
Total assets	$ -	$ 324,738	$ 310,973	$ 13,765
Liabilities:				
Accounts Payable	$ -	$ 324,738	$ 310,973	$ 13,765
Total liabilities	$ -	$ 324,738	$ 310,973	$ 13,765

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Hotel Rental Tax:				
Assets:				
Cash and cash equivalents	$ 3,002	$ 44,715	$ 44,214	$ 3,503
Total assets	$ 3,002	$ 44,715	$ 44,214	$ 3,503
Liabilities:				
Accounts payable	$ 3,002	$ 44,715	$ 44,214	$ 3,503
Total liabilities	$ 3,002	$ 44,715	$ 44,214	$ 3,503
Tax Sale Proceeds Fund:				
Assets:				
Cash and cash equivalents	$ 28,115	$ 1,092,508	$ 1,020,618	$ 100,005
Total assets	$ 28,115	$ 1,092,508	$ 1,020,618	$ 100,005
Liabilities:				
Accounts payable	$ 28,115	$ 1,092,508	$ 1,020,618	$ 100,005
Total liabilities	$ 28,115	$ 1,092,508	$ 1,020,618	$ 100,005
Inmate Account:				
Assets:				
Cash and cash equivalents	$ 2,392	$ 139,411	$ 137,611	$ 4,192
Total assets	$ 2,392	$ 139,411	$ 137,611	$ 4,192
Liabilities:				
Due to participants	$ 2,392	$ 139,411	$ 137,611	$ 4,192
Total liabilities	$ 2,392	$ 139,411	$ 137,611	$ 4,192

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Confiscated Properties Fund:				
Assets:				
Cash and cash equivalents	$ 36,822	$ 39,409	$ 33,986	$ 42,245
Total assets	$ 36,822	$ 39,409	$ 33,986	$ 42,245
Liabilities:				
Accounts payable	$ 36,822	$ 39,409	$ 33,986	$ 42,245
Total liabilities	$ 36,822	$ 39,409	$ 33,986	$ 42,245
Bay Restoration Fund:				
Assets:				
Cash and cash equivalents	$ 18,007	$ 504,381	$ 484,452	$ 37,936
Total assets	$ 18,007	$ 504,381	$ 484,452	$ 37,936
Liabilities:				
Due to other governments	$ 18,007	$ 504,381	$ 484,452	$ 37,936
Total liabilities	$ 18,007	$ 504,381	$ 484,452	$ 37,936
Public Drainage Association:				
Assets:				
Cash and cash equivalents	$ 369,981	$ 115,060	$ 106,424	$ 378,617
Total assets	$ 369,981	$ 115,060	$ 106,424	$ 378,617
Liabilities:				
Accounts Payable	$ -	$ 10	$ -	$ 10
Due to property owners	369,981	115,050	106,424	378,607
Total liabilities	$ 369,981	$ 115,060	$ 106,424	$ 378,617

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Home Builder Guaranty Fund				
Assets:				
Cash and cash equivalents	$ 200	$ 850	$ 950	$ 100
Total assets	$ 200	$ 850	$ 950	$ 100
Liabilities:				
Due to other governments	$ 200	$ 850	$ 950	$ 100
Total liabilities	$ 200	$ 850	$ 950	$ 100
Total Agency Funds:				
Assets:				
Cash and cash equivalents	$ 568,415	$ 9,897,984	$ 9,761,174	$ 705,225
Taxes and other receivables	34,159	8,027,047	8,030,108	31,098
Total assets	$ 602,574	$ 17,925,031	$ 17,791,282	$ 736,323
Liabilities:				
Accounts payable	$ 67,939	$ 1,501,380	$ 1,409,791	$ 159,528
Due to property owners	369,981	115,050	106,424	378,607
Due to other governments	162,262	8,532,278	8,500,544	193,996
Due to participants	2,392	139,411	137,611	4,192
Total liabilities	$ 602,574	$ 10,288,119	$ 10,154,370	$ 736,323

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS

June 30, 2013

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 97,482	$ 77,025	$ 110,210	$ 284,717
Accounts receivable	79,729	60,899	22,176	162,804
Total current assets	177,211	137,924	132,386	447,521
Noncurrent assets:				
Capital assets, net	-	27,363	265,169	292,532
Total assets	177,211	165,287	397,555	740,053
LIABILITIES:				
Current liabilities:				
Accounts payable	30,909	2,541	32,903	66,353
Due to other funds	-	-	80,678	80,678
Unearned revenue	14,931	-	2,055	16,986
Total current liabilities	45,840	2,541	115,636	164,017
Noncurrent liabilities:				
Long-term debt	-	-	-	-
Total liabilities	45,840	2,541	115,636	164,017
NET POSITION:				
Invested in capital assets	-	27,363	265,169	292,532
Unrestricted	131,371	135,383	16,750	283,504
Total net position	$ 131,371	$ 162,746	$ 281,919	$ 576,036

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2013

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
Operating revenues:				
Charges for services	$ 184,591	$ 870,044	$ 228,248	$ 1,282,883
Total operating revenues	184,591	870,044	228,248	1,282,883
Operating expenses:				
Personnel services	277,325	-	-	277,325
Operations and maintenance	218,353	824,316	127,950	1,170,619
Depreciation expense	-	1,990	50,501	52,491
Total operating expenses	495,678	826,306	178,451	1,500,435
Operating income (loss)	(311,087)	43,738	49,797	(217,552)
Nonoperating revenues (expenses):				
Intergovernmental revenues	339,869	-	-	339,869
Total nonoperating revenues (expenses)	339,869	-	-	339,869
Change in net position	28,782	43,738	49,797	122,317
Net position, beginning of year	102,589	119,008	232,122	453,719
Net position, end of year	$ 131,371	$ 162,746	$ 281,919	$ 576,036

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS -
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2013

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
Cash flows from operating activities:				
Cash received from customers	$ 228,907	$ 876,725	$ 228,039	$ 1,333,671
Cash paid to suppliers	(240,784)	(823,621)	(116,945)	(1,181,350)
Cash paid to employees	(277,325)	-	-	(277,325)
Net cash provided (used) by operating activities	(289,202)	53,104	111,094	(125,004)
Cash flows from noncapital financing activities				
Intergovernmental	339,869	-	-	339,869
Payment of interfund loan	-	-	(109,000)	(109,000)
Net cash provided (used) by noncapital financing activities	339,869	-	(109,000)	230,869
Net increase (decrease) in cash and cash equivalents	50,667	53,104	2,094	105,865
Cash and cash equivalents, beginning of year	46,815	23,921	108,116	178,852
Cash and cash equivalents, end of year	$ 97,482	$ 77,025	$ 110,210	$ 284,717
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (311,087)	$ 43,738	$ 49,797	$ (217,552)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	1,990	50,501	52,491
Decrease (increase) in accounts receivable	43,852	6,681	(288)	50,245
Increase (decrease) in accounts payable	(22,431)	695	11,005	(10,731)
Increase (decrease) in deferred revenue	464	-	79	543
Net cash provided (used) by operating activities	$ (289,202)	$ 53,104	$ 111,094	$ (125,004)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	$ 365,397	$ 365,397	$ 377,400	$ 12,003
Intergovernmental revenues	3,165,304	3,165,304	359,157	(2,806,147)
Miscellaneous revenues	58,185	58,185	169,393	111,208
Total revenues	3,588,886	3,588,886	905,950	(2,682,936)
Expenditures:				
General government	682,548	682,548	46,316	(636,232)
Public safety	1,188,097	1,188,097	417,139	(770,958)
Public works	1,492,652	1,492,652	506,530	(986,122)
Primary education	445,000	445,000	291,580	(153,420)
Public Library	44,800	44,800	9,175	(35,625)
Recreation and parks	731,729	731,729	199,853	(531,876)
Conservation of natural resources	49,108	49,108	-	(49,108)
Total expenditures	4,633,934	4,633,934	1,470,593	(3,163,341)
Excess (deficiency) of revenues over expenditures	(1,045,048)	(1,045,048)	(564,643)	480,405
Other financing sources (uses):				
Transfers in (out)	12,000	12,000	76,104	64,104
Fund balance re-appropriated	109,500	109,500	-	(109,500)
Proceeds from issuance of debt	923,548	923,548	-	(923,548)
Total other financing sources (uses)	1,045,048	1,045,048	76,104	(968,944)
Net change in fund balances	$ -	$ -	$ (488,539)	$ (488,539)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	$ 60,000	$ 60,000	$ 91,902	$ 31,902
Total revenues	60,000	60,000	91,902	31,902
Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	60,000	60,000	91,902	31,902
Other financing sources (uses):				
Transfers in (out)	(60,000)	(60,000)	(60,000)	-
Net change in fund balances	$ -	$ -	$ 31,902	$ 31,902

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
4-H Park:				
Revenues:				
Miscellaneous revenues	$ 14,428	$ 14,428	$ 14,281	$ (147)
Expenditures:				
Recreation and culture	38,760	38,760	30,033	(8,727)
Other financing sources(uses):				
Transfers in	24,332	24,332	18,000	(6,332)
Revenues over (under) expenditures	$ -	$ -	$ 2,248	$ 2,248
OJP Grant Law Enforcement:				
Revenues:				
Intergovernmental revenues	$ 23,351	$ 23,351	$ 87,956	$ 64,605
Expenditures:				
Public safety	23,351	23,351	89,497	66,146
Revenues over (under) expenditures	$ -	$ -	$ (1,541)	$ (1,541)
CDBG:				
Revenues:				
Intergovernmental revenues	$ 93,302	$ 93,302	$ -	$ (93,302)
Expenditures:				
Economic development	93,302	93,302	-	(93,302)
Revenues over (under) expenditures	$ -	$ -	$ -	$ -
Dog Licenses:				
Revenues:				
Licenses and permits	$ 400	$ 400	$ 196	$ (204)
Expenditures:				
Public safety	400	400	196	(204)
Revenues over (under) expenditures	$ -	$ -	$ -	$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
(CONTINUED)

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Local Agricultural Land Preservation:				
Revenues:				
Taxes	$ 10,000	$ 10,000	$ 8,500	$ (1,500)
Expenditures:				
General government	10,000	10,000	-	(10,000)
Revenues over (under) expenditures	$ -	$ -	$ 8,500	$ 8,500
State Agricultural Land Preservation:				
Revenues:				
Taxes	$ 30,000	$ 30,000	$ 5,864	$ (24,136)
Expenditures:				
General government	10,000	10,000	-	(10,000)
Other financing sources(uses):				
Transfers out	(20,000)	(20,000)	-	20,000
Revenues over (under) expenditures	$ -	$ -	$ 5,864	$ 5,864
Summerfest Fund:				
Revenues:				
Miscellaneous revenues	$ 36,500	$ 36,500	$ 41,086	4,586
Expenditures:				
Recreation and culture	36,500	36,500	38,578	2,078
Revenues over (under) expenditures	$ -	$ -	$ 2,508	$ 2,508
Commissary Account:				
Revenues:				
Miscellaneous revenues	$ 157,000	$ 157,000	$ 156,258	$ (742)
Expenditures:				
Public safety	157,000	157,000	146,668	(10,332)
Revenues over (under) expenditures	$ -	$ -	$ 9,590	$ 9,590

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
(CONTINUED)

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Law Library:				
Revenues:				
Miscellaneous revenues	$ 10,100	$ 10,100	$ 11,370	$ 1,270
Expenditures:				
General government	10,100	10,100	26,919	16,819
Revenues over (under) expenditures	$ -	$ -	$ (15,549)	$ (15,549)
Critical Area Forestry:				
Revenues:				
Miscellaneous revenues	$ 2,000	$ 2,000	$ 4,173	$ 2,173
Expenditures:				
Miscellaneous	2,000	2,000	-	(2,000)
Revenues over (under) expenditures	$ -	$ -	$ 4,173	$ 4,173
Forest Conservation:				
Revenues:				
Miscellaneous revenues	$ 7,500	$ 7,500	$ 200	$ (7,300)
Expenditures:				
General government	7,500	7,500	-	(7,500)
Revenues over (under) expenditures	$ -	$ -	$ 200	$ 200
Emergency Management Grant:				
Revenues:				
Intergovernmental revenues	$ 818,333	$ 818,333	$ 260,075	$ (558,258)
Expenditures:				
Public safety	818,333	818,333	264,023	(554,310)
Revenues over (under) expenditures	$ -	$ -	$ (3,948)	$ (3,948)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
(CONTINUED)

YEAR ENDED June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Business & Technology Park Fund:				
Revenues:				
Miscellaneous revenues	$ 58,214	$ 58,214	$ -	$ (58,214)
Expenditures:				
Economic development	58,214	58,214	1,686	(56,528)
Revenues over (under) expenditures	$ -	$ -	$ (1,686)	$ (1,686)
Stormwater Facilities:				
Revenues:				
Miscellaneous revenues	$ 10,000	$ 10,000	$ -	(10,000)
Expenditures:				
Public works	10,000	10,000	-	(10,000)
Revenues over (under) expenditures	$ -	$ -	$ -	$ -
Drug Task Force:				
Revenues:				
Miscellaneous revenues	$ 96,773	$ 96,773	$ 70,650	(26,123)
Expenditures:				
Public safety	96,773	96,773	86,480	(10,293)
Revenues over (under) expenditures	$ -	$ -	$ (15,830)	$ (15,830)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS

YEAR ENDED June 30, 2013

Revenue:		
State-shared taxes	$	353,933
Expenditures – public works:		
General administration		465,787
Central shop		619,439
Highways and roads		1,347,056
Debt service		173,085
General services		20,252
Capital road expenditures		506,530
Total expenditures – highway users		3,132,149
Excess (deficiency) of revenues over expenditures – highway users	$	(2,778,216)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

EXPENDITURE DETAIL – CONTINGENCY FUND
ACTUAL VS. BUDGET
(INCLUDED IN GENERAL FUND)

YEAR ENDED June 30, 2013

		Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance With Final Budget
Transcript	$ 1,005				
Correction - health care shots	2,100				
TMDL coalition participation	25,000				
Settlement agreement	16,000				
Urgent Care	25,000				
Spare radio parts	70,000				
Gas probes	18,823				
Choptank restaurant	36,022				
		193,950	151,492	151,492	(42,458)
Total expenditures – Contingency Fund		$ 193,950	$ 151,492	$ 151,492	$ (42,458)

STATISTICAL SECTION

STATISTICAL SECTION

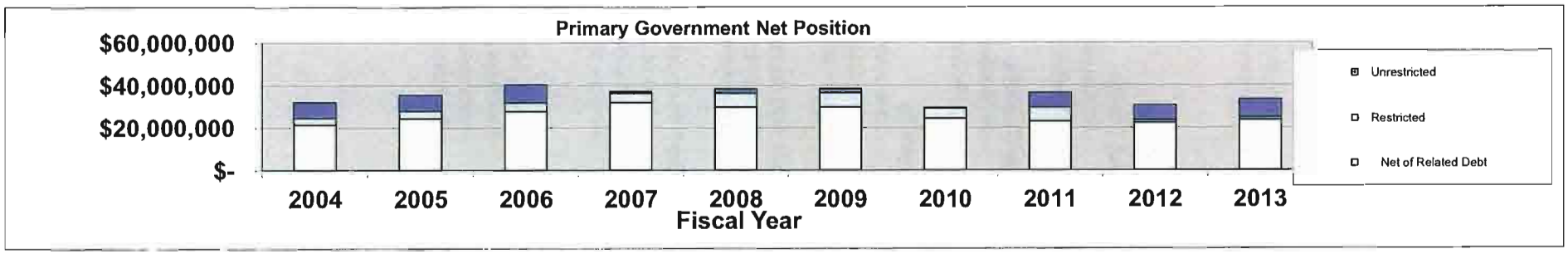
This part of Caroline Counties comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the counties overall financial health.

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

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 Position by Component
Last Ten Years
(accrual basis of accounting)
SCHEDULE 1

Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 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	$ 22,400,051
Restricted for:										
Capital Projects	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	1,222,495
Unrestricted	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	7,746,598
Total Government Activities Net Position	$ 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	$ 31,369,144
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	$ 335,063	$ 341,437	$ 357,812	$ 379,187	$ 788,442	$ 786,170	$ 3,633,900	$ 335,514	$ 345,023	$ 1,194,728
Unrestricted	240,179	177,069	178,731	159,179	351,383	610,117	211,922	334,353	606,197	671,536
Total Business-type Activities Net Position	$ 575,242	$ 518,506	$ 536,543	$ 538,366	$ 1,139,825	$ 1,396,287	$ 3,845,822	$ 669,867	$ 951,220	$ 1,866,264
Primary Government										
Invested in Capital Assets, Net of Related Debt	$ 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	$ 23,594,779
Restricted	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	1,222,495
Unrestricted	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	8,418,134
Total Primary Government Net Position	$ 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	$ 33,235,408



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

Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Government Activities:										
General Government	$ 4,030,813	$ 4,884,446	$ 5,506,575	$ 4,848,675	$ 5,807,431	$ 6,372,040	$ 5,693,667	$ 5,628,953	$ 6,845,879	$ 6,157,331
Public Safety	7,214,274	9,349,540	11,043,054	12,019,174	12,625,257	13,007,213	12,775,201	13,031,198	13,214,384	13,784,479
Public Works	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	4,142,162
Health	715,828	735,514	844,006	945,008	1,049,262	1,022,864	962,574	621,859	456,265	454,796
Social Services	558,120	274,835	836,128	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129	133,412	131,212
Primary Education	11,283,611	11,690,348	11,963,391	15,456,631	14,641,010	13,103,740	16,619,350	13,498,500	14,109,214	13,497,885
Secondary Education	1,253,815	1,606,200	1,215,455	1,609,472	1,634,409	1,398,888	1,872,085	1,413,551	1,434,573	1,429,541
Recreation and Culture	637,375	715,164	836,065	918,560	1,147,308	1,371,773	1,203,622	1,153,486	1,172,538	1,373,010
Library	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	1,109,175
Conservation of Natural	353,940	319,236	541,547	1,640,418	1,282,299	1,624,572	477,288	765,874	336,609	337,131
Economic Development	358,791	443,675	505,092	351,676	387,535	1,305,488	311,172	357,460	1,172,532	1,349,254
Public Housing	417,339	515,747	506,949	480,874	593,925	403,937	483,684	315,255	-	6,000
Interest on Long Term Debt	1,054,812	950,778	863,417	988,540	1,183,589	1,288,655	1,042,954	1,435,458	1,118,515	1,048,293
Total Government Activities Expenses	33,853,117	38,361,708	41,653,220	48,043,403	49,270,048	49,470,875	49,060,305	45,496,817	45,678,465	44,820,269
Business-type Activities										
Broadband supply	-	-	-	11,040	26,406	101,000	156,337	114,178	140,066	178,451
Interest on Long Term Debt -HAPS Building	183,026	177,581	172,013	166,073	159,761	153,203	147,446	-	-	-
Health and Public Service	236,678	253,870	274,685	293,033	329,295	314,953	334,437	-	-	-
Recreation	383,257	472,095	645,659	684,407	733,518	694,240	759,223	619,732	681,819	495,678
Public Works	217,870	304,154	508,587	611,436	804,193	585,571	581,872	755,518	814,760	826,306
Basic Life Support	990,643	255,212	316,915	364,825	410,995	382,184	542,224	517,036	531,269	572,597
Total Business-type Activities Expense	2,011,474	1,462,912	1,917,859	2,130,814	2,464,168	2,231,151	2,521,539	2,006,464	2,167,914	2,073,032
Total Primary Government Expenses	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	46,893,301

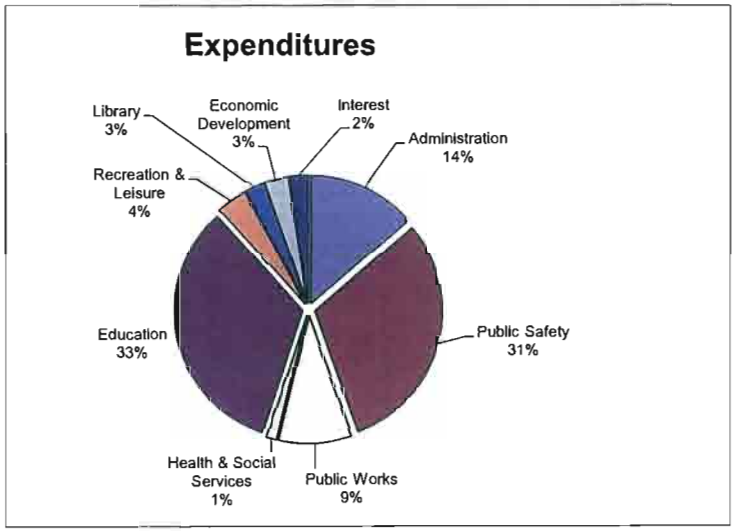
Caroline County, Maryland
Changes in Net Position
Last Ten Years
(accrual basis of accounting)
Schedule 2

Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental Activities										
General Government	$ 191,170	$ 362,058	$ 333,377	$ 585,852	$ 550,340	$ 595,842	$ 791,199	$ 745,765	$ 1,620,463	$ 1,830,440
Public Safety	1,806,334	3,014,093	2,176,836	2,398,251	2,166,655	2,238,088	1,563,683	1,591,734	1,434,151	2,076,878
Public Works	3,185,192	4,296,667	4,996,801	4,470,889	4,663,886	3,708,693	669,237	1,118,952	855,996	693,388
Health	37,961	33,638	29,219	-	37,557	33,082	44,993	48,413	243	196
Social Services	379,716	69,826	623,790	1,112,316	1,077,441	951,127	1,508,785	1,117,280	-	7,258
Recreation and Culture	318,802	329,391	299,351	865,305	1,034,659	827,335	197,013	900,348	175,116	164,911
Library	7,230	-	-	141,539	-	-	-	-	-	-
Conservation of Natural Resources	240,737	255,209	332,087	104,298	166,778	154,706	240,903	331,508	164,866	176,201
Economic Devlopment	208,877	336,676	292,398	823,059	766,205	1,674,404	266,154	133,372	1,071,275	1,090,517
Public Housing	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	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	6,039,789
Business-type Activities										
Charges for Service										
Jonestown	-	-	-	-	-	-	-	-	-	791,440
Broadband	-	-	-	-	56,784	181,160	152,586	171,450	219,169	228,248
Health and Public Service	375,017	394,904	387,787	385,597	526,558	498,215	482,358	-	-	-
Recreation	383,119	218,505	238,578	245,766	200,936	200,295	159,194	173,827	167,309	184,591
Public Works	237,547	338,260	557,967	632,134	829,427	644,480	648,923	790,680	863,618	870,044
Basic Life Support	823,556	658,089	758,281	909,357	1,028,941	1,063,760	1,145,963	1,150,699	1,407,294	1,343,084
Operating Grants-Recreation	-	213,640	387,741	421,680	534,603	518,977	617,019	519,800	467,053	339,869
Net Tranfers in	-	-	-	-	-	-	1,765,031	(3,975,947)	(675,176)	(769,200)
Total Business-type Activities Revenue	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	2,988,076
Net (Expense)/Revenue										
Governmental Activities	(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)	(38,780,480)
Business-type Activities	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044
	(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)	(37,865,436)

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

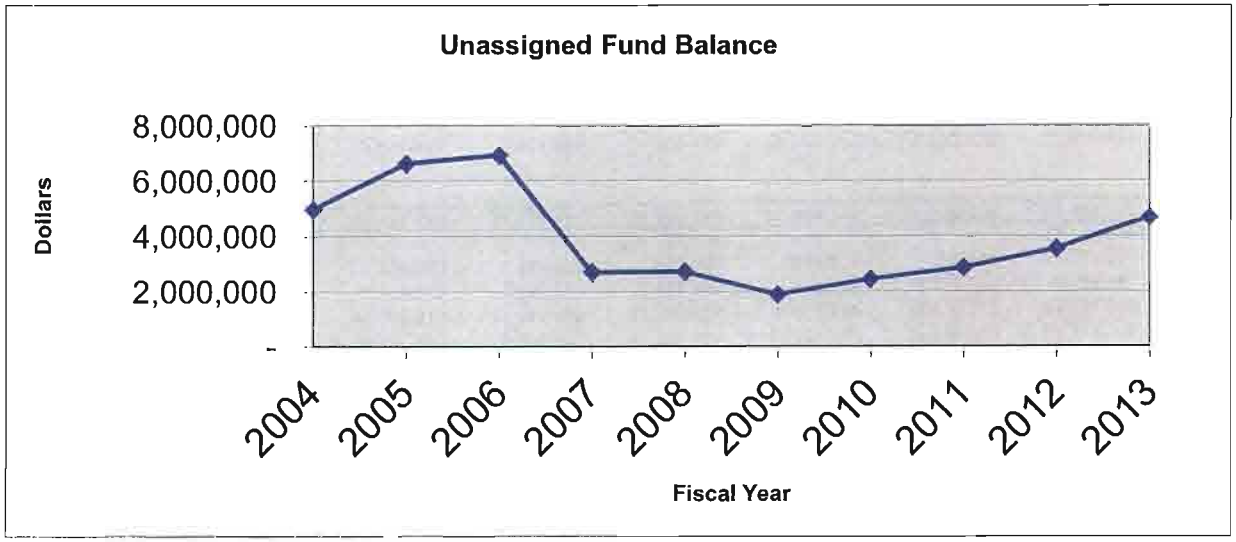
Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and other Changes in Net Assets										
Government Activities										
Property Taxes	$ 14,417,778	$ 15,862,182	$ 16,500,112	$ 17,775,491	$ 19,369,182	$ 21,320,919	$ 23,245,019	$ 23,892,084	$ 23,932,023	$ 24,106,972
Other Taxes	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	12,948,765
Operating Grants Unrestricted	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	2,656,463
Other	94,528	295,459	587,672	1,056,348	544,817	232,447	22,311	(60,536)	20,076	20,505
Net Transfers out							(1,765,031)	3,975,947	675,176	769,200
Total Government Activities/Primary Government	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	40,501,905
Change in Net Assets										
Governmental Activities	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)	1,721,425
Business-type Activities	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044
	$ 2,307,780	$ 3,271,369	$ 4,277,319	$ (1,295,728)	$ (672,659)	$ (1,906,486)	$ (5,398,406)	$ (119,049)	$ (472,269)	$ 2,636,469

** 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,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-Spendable	$ 196,034	$ 199,116	$ 292,799	$ 339,754	$ 337,676	$ 247,230	$ 235,828	$ 245,951	$ 196,238	$ 249,857
Committed	3,010,694	3,000,000	2,620,568	2,530,837	-	-	-	-	-	-
Unassigned	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	4,676,874
Total General Fund	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	4,926,731
All Other Governmental Funds										
Restricted	703,698	894,245	949,068	1,023,801	1,082,717	1,143,559	1,248,452	1,276,394	1,262,729	1,222,495
Committed	3,759,234	3,632,131	4,714,919	10,444,693	10,939,281	4,308,915	6,017,730	4,599,070	2,360,885	1,922,985
Assigned	(15,623)	639	5,460	2,734	(1,154)	92,630	84,962	83,595	93,166	614,898
Unassigned	-	-	-	-	-	-	-	-	(5,433)	(1,130)
	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	3,759,248
Total	$ 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	$ 8,685,979



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

Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property and Other Taxes	$ 29,829,568	$ 33,043,224	$ 37,645,809	$ 37,662,996	$ 38,507,631	$ 37,488,775	$ 35,450,102	$ 36,765,070	$ 36,772,497	$ 37,578,610
License and Permits	370,995	385,095	386,611	320,565	249,699	221,860	210,479	184,961	166,588	154,031
Intergovernmental Revenues	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	5,819,962
Charges for Services	859,748	1,123,854	1,094,080	1,314,655	1,191,743	885,550	768,966	722,778	793,343	862,590
Miscellaneous Revenues	986,363	976,634	1,076,445	1,626,755	1,189,469	888,268	855,322	738,248	663,647	1,357,301
Total Revenues	36,772,786	41,382,593	45,601,476	47,167,019	47,913,698	47,016,994	43,084,044	44,673,322	44,099,233	45,772,494
Expenditures										
General Government	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	5,132,124
Public Safety	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	13,258,479
Public Works	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	3,776,908
Health	626,970	645,477	688,233	818,872	907,222	902,434	840,934	540,151	452,838	452,838
Social Services	516,929	211,388	217,338	266,635	297,356	305,414	212,422	138,028	133,412	131,212
Primary Education	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	13,497,885
Secondary Education	1,290,627	1,640,487	1,250,027	1,645,222	1,671,394	1,441,101	1,915,590	1,458,291	1,480,604	1,481,864
Public Library	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	1,109,175
Recreation and Parks	692,356	808,869	933,342	2,041,221	3,408,317	2,330,004	1,164,373	881,535	878,614	1,070,951
Arts	5,500	5,500	6,500	9,000	12,500	12,500	5,000	5,000	5,000	5,000
Conservation of Natural Resource	226,792	269,082	506,734	607,013	457,349	477,058	334,911	313,533	290,726	291,248
Housing Rehabilitation	40,750	60,905	77,468	106,465	100,751	105,283	33,457	11,725	-	6,000
Economic Development	639,895	786,232	1,661,733	2,992,539	3,538,531	2,652,025	2,138,818	1,825,055	1,317,532	1,349,254
Intergovenmental-Local	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	-	-
Historical	3,500	3,500	3,500	5,500	6,000	5,000	4,000	-	-	-
Contingency	137,691	223,287	143,914	60,942	28,074	27,837	46,407	52,253	40,863	193,950
Town Planning Grants	-	4,000	8,500	8,500	8,500	8,500	8,500	8,500	-	-
Capital Outlay	20,614	-	205,448	168,730	69,743	12,435	61,946	9,588	-	-
Miscellaneous**	327,933	284,307	321,095	1,532,882	1,167,281	1,573,899	494,416	507,485	-	-
Debt Service										
Principal	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	2,558,000
Interest and Fiscal Charges	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	1,048,293
Total Expenditures	35,107,985	40,358,201	44,883,217	59,491,368	56,544,020	51,078,626	54,858,202	50,098,241	46,496,416	45,363,181
Excess of Revenues Over (Under) Expenditures	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)	409,313

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

Years ended June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Sale of Capital Assets	$ 5,250	$ 344,459	$ 58,332	$ 898,080	$ 47,956	$ 6,151	$ 811	$ 19,987	$ 65,935	$ -
Bond Premium	-	-	-	84,086	1,636	-	-	-	-	-
Proceeds of Long Term Debt	155,000	-	-	12,475,000	6,600,000	-	16,042,529	3,736,000	-	-
Transfers In	1,105,715	1,359,121	4,027,508	7,251,218	3,522,357	801,776	7,435,261	935,463	-	-
Transfers Out	(1,306,188)	(1,029,580)	(3,725,795)	(6,882,753)	(3,500,045)	(4,059,491)	(9,346,919)	(265,570)	759,675	769,200
Total Other Financing Sources (Uses)	(40,223)	674,000	360,045	13,825,631	6,671,904	(3,251,564)	14,131,682	4,425,880	825,610	769,200
Net Change in Fund Balance	$ 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)	$ 1,178,513
Debt Service as a Percentage of Non Capital Expenditures (1)	8.9%	8.6%	6.3%	6.9%	7.1%	7.8%	16.3%	15.8%	9.4%	8.2%

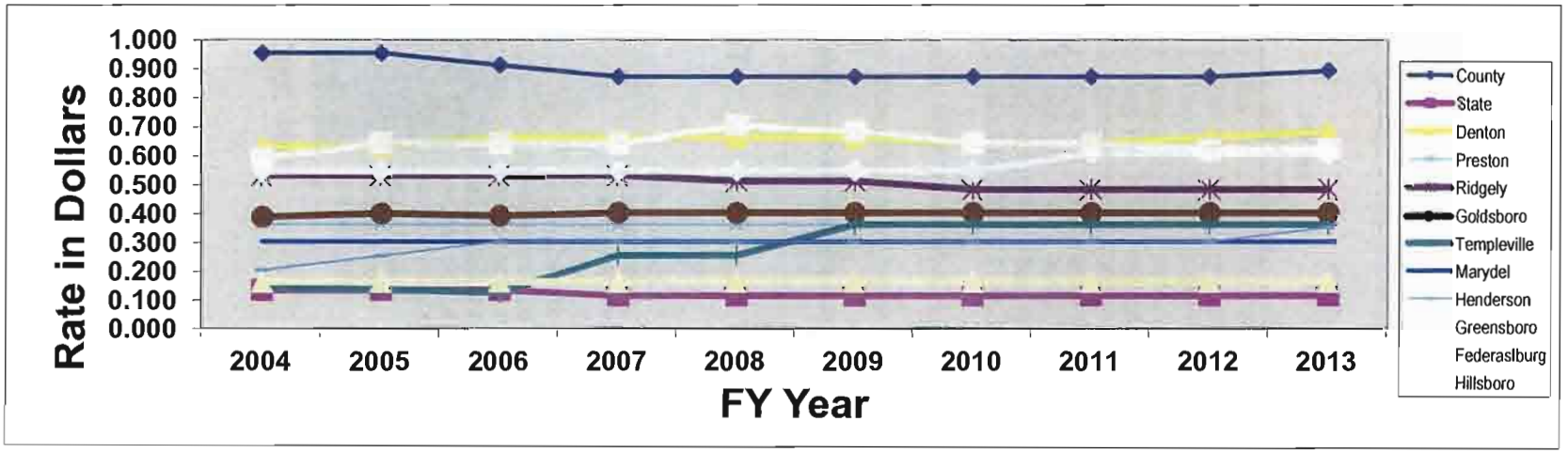
Notes
(1)Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

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
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
2013	0.890	0.112	0.680	0.360	0.481	0.400	0.360	0.300	0.350	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



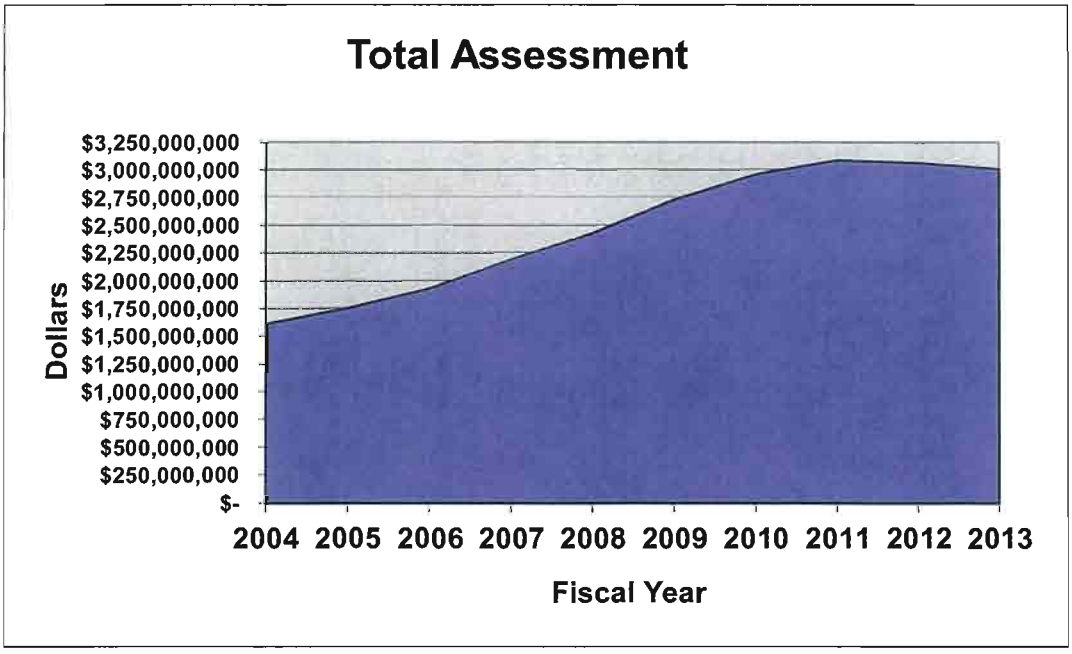
Caroline County, Marylanc
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Schedule 6

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
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
2013	$ 2,611,863,442	$ 337,257,555	$ 2,949,120,997	0.890	$ -	$ 54,345,320	$ 3,003,466,317

Source: Maryland State Department of Assessments and Taxatior

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

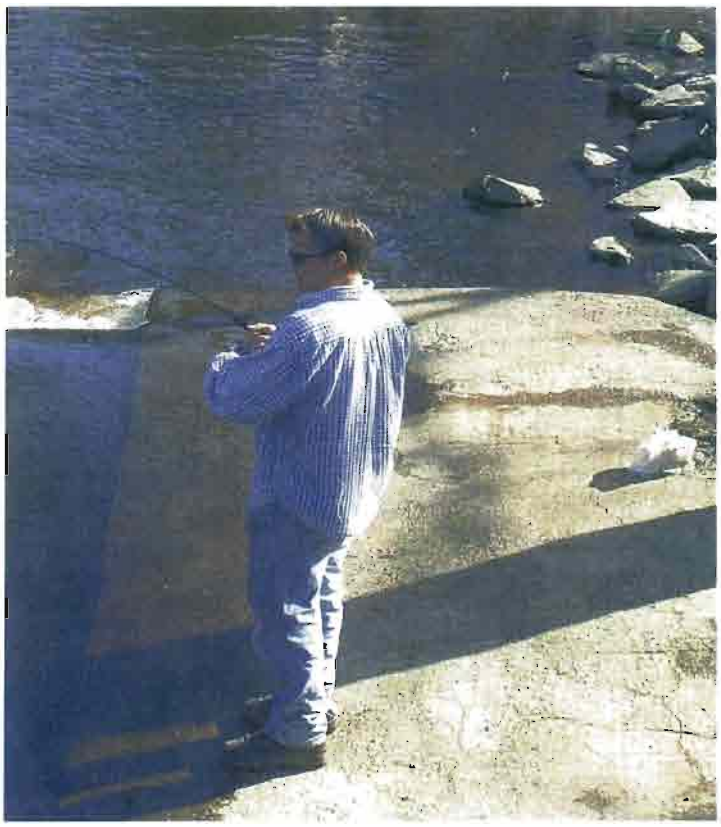
(2) Personal Property was phased out over a three year period ending in FYE June 20(



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
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%	$ 23,126	$ 19,116,536	99.9%
2009	$ 21,140,313	$ 21,111,314	99.86%	$ 19,825	$ 21,131,139	100.0%
2010	$ 22,864,872	$ 22,818,426	99.80%	$ 37,085	$ 22,855,511	100.0%
2011	$ 23,648,637	$ 23,588,002	99.74%	$ 41,438	$ 23,629,440	99.9%
2012	$ 23,790,344	$ 23,729,788	99.75%	$ 25,447	$ 23,755,235	99.9%
2013	$ 23,977,024	$ 23,921,365	99.77%	$ -	$ 23,921,365	99.8%

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, 2013
Schedule 8

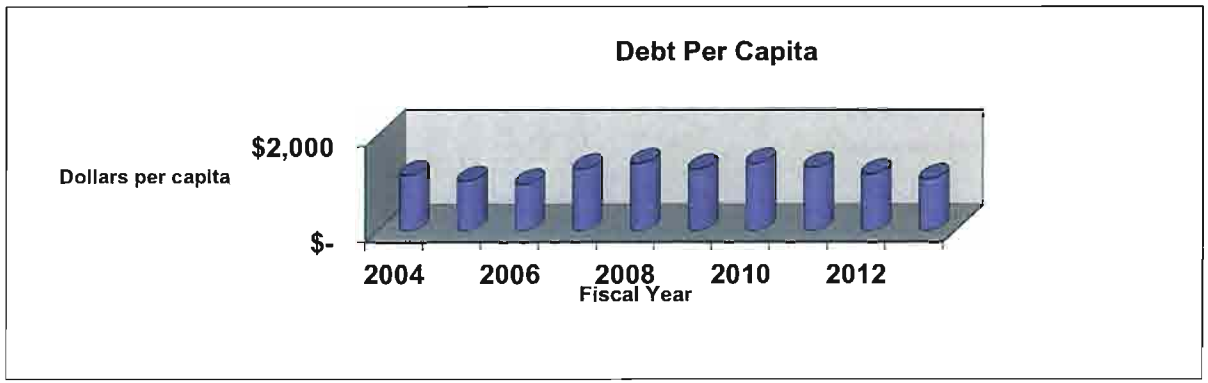
Tax Year Taxpayer	Type of Business	2002 Assessed Valuation	2012 Assessed Valuation	2002 Tax	2012 Tax	% of Total Tax Levy
Choptank Electric	Electric Power	$ 12,325,260	$ 27,164,100	$293,341	$590,316	0.90%
Delmarva Power and Light	Electric Power	$ 17,168,480	$ 18,803,970	$408,610	$417,860	0.63%
Verizon Maryland	Telephone utility	$ 21,555,230	$ 9,430,120	$513,014	$210,292	0.31%
Istar SCC Distribution	Cups and containers	$ 6,791,565	$ 15,023,667	$ 68,234	$121,692	0.50%
East Star, LLC	Excavating	$ 2,870,848	$ 8,993,767	$ 27,440	$ 79,926	0.30%
Burris Foods, Inc	Transport of refrigerated food products	$ 8,690,220	$ 6,821,533	$ 93,507	$ 60,712	0.23%
Boaters World	Marine products distribution	$ 93,400	$ 6,900,200	$ 777	$ 57,272	0.23%
H&M Bay, Inc	Refrigerated trucking	$ 4,857,170	$ 6,929,000	$ 50,560	$ 56,125	0.23%
Federalsburg Terminal	Trucking	$ 5,324,800	$ 5,683,933	$ 44,302	$ 46,040	0.19%
BOP Denton Plaza	Developer	$ -	$ 5,303,300	$ -	$ 44,017	0.18%

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 Activitites							Business-type Activities	Primary Government	Total Debt to	Total Debt
	General Obligation Bonds	CDA Town (2)	MILA Loans	State Loans	Capital Loans	DHCD Loans	Total	MEDCO Loan (2)	TOTAL	Personal Income (1)	Per Capita(1)
2004	$ 19,444,046	$ 310,947	$ 1,193,356	$ 1,757,266	$ 725,237	$ 2,530,583	$ 25,961,435	$ 3,615,000	$ 29,576,435	3.72%	$ 1,156
2005	$ 17,776,318	$ 285,464	$ 775,902	$ 1,660,000	$ 690,950	$ 2,530,583	$ 23,719,217	$ 3,505,000	$ 27,224,217	3.24%	$ 1,031
2006	$ 16,180,559	$ 257,060	$ 713,835	$ 1,660,000	$ 656,378	$ 2,530,583	$ 21,998,415	$ 3,385,000	$ 25,383,415	3.01%	$ 972
2007	$ 27,130,185	$ 228,088	$ -	$ 1,660,000	$ 620,629	$ 2,530,583	$ 32,169,485	$ 3,260,000	$ 35,429,485	3.94%	$ 1,284
2008	$ 30,577,071	$ 195,626	$ -	$ 2,660,000	$ 583,644	$ 2,530,583	$ 36,546,924	$ 3,130,000	$ 39,676,924	4.26%	$ 1,402
2009	$ 28,150,843	$ 162,596	$ -	$ 2,660,000	$ 541,431	$ 2,530,583	$ 34,045,453	$ 2,990,000	$ 37,035,453	3.84%	$ 1,281
2010	$ 36,455,718	$ -	$ -	$ 3,217,529	$ 497,927	$ 2,530,583	$ 42,701,757	$ -	$ 42,701,757	4.23%	$ 1,405
2011	$ 33,956,118	$ -	$ -	$ 3,217,529	$ 453,188	$ 2,530,583	$ 40,157,418	$ -	$ 40,157,418	3.98%	$ 1,315
2012	$ 30,875,000	$ -	$ -	$ 3,057,529	$ 407,157	$ 2,530,583	$ 36,870,269	$ -	$ 36,870,269	3.56%	$ 1,179
2013	$ 28,317,000	$ -	$ -	$ 3,057,529	$ 354,834	$ 2,530,583	$ 34,259,946	$ -	$ 34,259,946	3.25%	$ 1,076

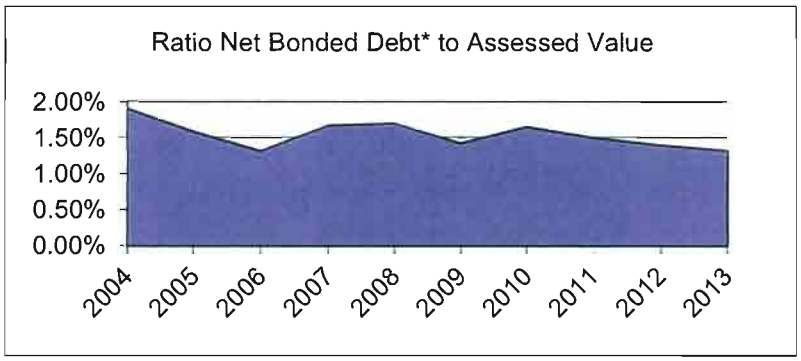
(1) See Schedule 13 for population and personal Income.
(2) In December 2009 Caroline County refinanced debt indluding CDA loans and the Medco Loan transfering debt to a general obligation bond.

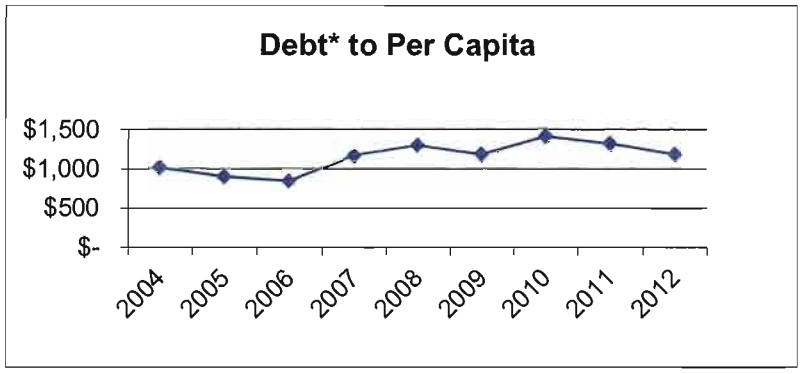


Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

Year June 30,	General Bonded Debt	(1) Assessed Value	(2) Per Capita	Ratio Net Bonded Debt* to Assessed Value	Debt* to Per Capita
2004	$ 25,961,435	$ 1,369,556,131	$ 25,595	1.90%	$ 1,014
2005	$ 23,719,217	$ 1,507,546,709	$ 26,409	1.57%	$ 898
2006	$ 21,998,415	$ 1,683,578,642	$ 26,111	1.31%	$ 842
2007	$ 32,169,485	$ 1,937,403,404	$ 27,603	1.66%	$ 1,165
2008	$ 36,546,924	$ 2,168,863,864	$ 28,303	1.69%	$ 1,291
2009	$ 34,045,453	$ 2,410,033,590	$ 28,904	1.41%	$ 1,178
2010	$ 42,701,757	$ 2,604,398,489	$ 30,389	1.64%	$ 1,405
2011	$ 40,157,418	$ 2,699,834,799	$ 30,527	1.49%	$ 1,315
2012	$ 36,870,269	$ 2,663,868,995	$ 31,282	1.38%	$ 1,179
2013	$ 34,259,946	$ 2,611,863,442	$ 31,834	1.31%	$ 1,076

* 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

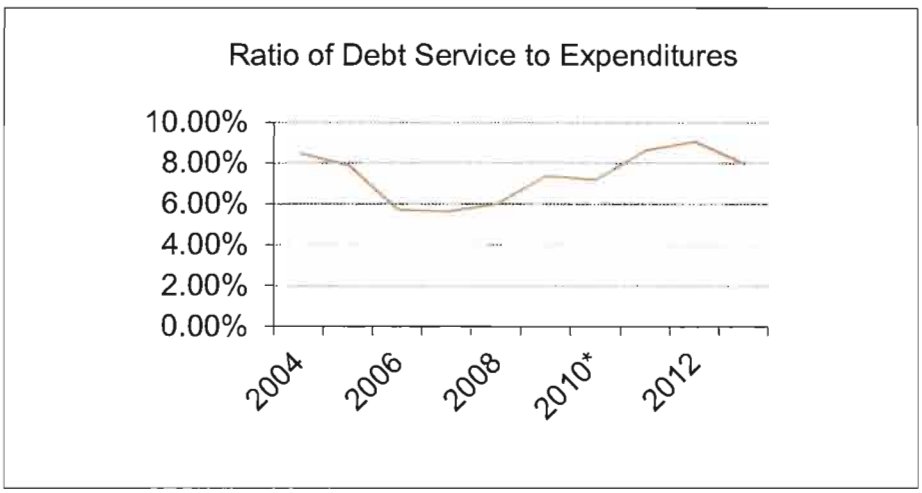




Caroline County, Maryland
Ratio of Annual Debt Service to Total Government Expenditures
Last Ten Years
Schedule 11

Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
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%
2013	$ 2,558,000	$ 1,048,293	$ 3,606,293	$ 45,363,181	7.95%

*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 30,2013
Schedule 12

Political Subdivision	Debt Outstanding	Percentage Applicable To County*	Amount Applicable To County
Caroline County	$ 34,259,946	100.00%	$ 34,259,946
Direct Debt	34,259,946		34,259,946
Caroline County Library	-	100.00%	-
Caroline County Board of Education	3,468,121	100.00%	3,468,121
Town of Denton	4,072,727	100.00%	4,072,727
Town of Federalsburg	1,473,635	100.00%	1,473,635
Town of Greensboro	508,430	100.00%	508,430
Town of Ridgely	536,660	100.00%	536,660
Indirect Debt	10,059,573		10,059,573
TOTAL	$ 44,319,519		$ 44,319,519

* 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 Calandar Years (Unaudited)
Schedule 13

Year	Population (5)	Personal Income per 1000 (1)*	Per Capita Income (1)	High School Graduates (2)	School Enrollment (2)	Labor Force(4)	Employment (4)	Unemployment (4)	Unemployment Rate	Median Age (3)
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	1493	9.2%	37.5
2010	33,217	1,009,420	30,389	373	5,551	16,436	14,890	1546	9.4%	36.6
2011	33,066	1,009,420	30,527	373	5,175	16,526	15,042	1484	9.0%	38.7
2012	33,072	1,034,572	31,282	364	5,226	16,693	15,265	1428	8.6%	38.7
2013	33,128	1,054,608	31,834	353	5,810	16,615	15,246	1369	8.8%	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 Cencus and MD Dept of Planning Services Estimated
4 Monthly Labor Review June 13
5 Maryland Department of Planning May 2012

http://www.bea.gov/iTable/iTable.cfm
http://www.dllr.state.md.us/lmi/
http://www.mdp.state.md.us/msdc/

Caroline County, Maryland
Major Employers FYE 6/30/2013
Schedule 14

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	847	5.55%
Solo Cup	Cups and containers	567	3.71%
Benedictine School	Private School for exceptional children	403	2.64%
Caroline County	Government	240	1.57%
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%
WalMart	Department Store/Groceries	99	0.65%

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 6/2003

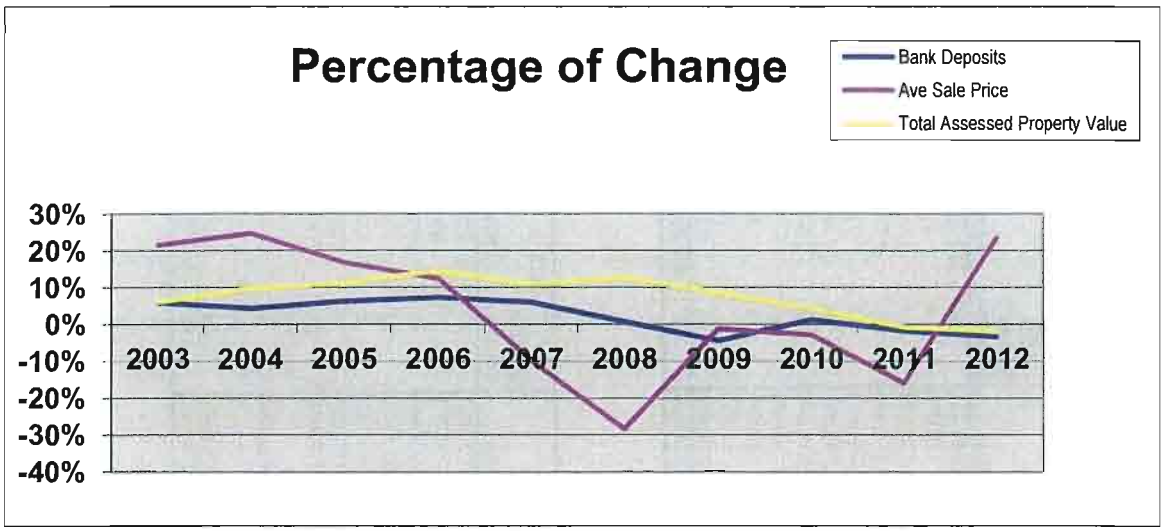
Firm	Product/Service	Employment	Percent of Caroline County Employment
Interactive Marketing Service	e-Commerce-catalogue and fulfillment Co	920	6.03%
Caroline County Board of Education	Government	786	5.15%
Solo Cup	Cups and containers	600	3.93%
Benedictine School	Private School for exceptional children	344	2.26%
Maryland Plastics	Plastic tableware	284	1.86%
Tri Gas & Oil	Metered gas, fuel oil, appliances	225	1.48%
Caroline County	Government	179	1.17%
Choptank Electric Cooperative	Electric Power	175	1.15%
Burris Refrigerated Services	Transport of refrigerated food products	130	0.85%
Caroline Nursing Home	Nursing care	115	0.75%

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

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

Year	(1) Bank Deposits (dollars in Millions)	(2) Avg Sale Price for a Single Family Home	(3) Total Assessed Property Value
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
2012	376	165,931	2,949,120,997

Source:
(1) Federal Deposit Insurance Corporation Web Site
http://www2.fdic.gov/sod/SODSumReport.asp
(2) Midshore Realtor Association-Calendar Year
(3) Caroline County Tax Office-includes exempt property



Caroline County, Maryland
Building Permits (Unincorporated Areas)
Calendar Years 2003 - 2012 (Unaudited)
Schedule 16

Types	2003 Number Permits	2003 Value	2004 Number Permits	2004 Value	2005 Number Permits	2005 Value	2006 Number Permits	2006 Value	2007 Number Permits	2007 Value	2008 Number Permits	2008 Value	2009 Number Permits	2009 Value
Homes	148	$19,540,212	155	$22,125,951	130	$22,799,992	105	$18,033,968	75	$15,652,684	60	$10,198,667	27	$4,205,153
Accessory Dwellings	3	170,000	4	307,148	2	83,000	4	155,870	4	145,000	0		0	
Accessory Structures	229	2,932,492	232	3,841,009	237	3,817,617	221	3,441,297	217	4,046,437	161	3,047,108	79	1,162,733
Additions	140	3,313,886	135	2,772,022	145	4,039,243	127	4,012,604	115	2,685,481	79	2,333,022	54	1,305,053
Comm/Industrial & Institutional	18	2,394,453	13	993,572	19	10,189,850	10	5,509,050	7	426,100	8	21,775,000	9	1,680,490
Mobile Homes	11	195,257	14	77,215	9	155,400	6	61,300	27	1,726,441	18	1,034,050	16	440,105
Poultry Structures/Ag	15	1,614,000	24	5,572,272	18	4,916,176	14	3,506,000	7	1,708,000	9	1,835,684	39	2,539,620
Change of Use/Home Occupation	19	118,496	12	77,490	15	139,735	12	119,750	4	2,150	3	62,000	3	2,750
Shoreline Projects	8	122,500	6	62,750	5	48,000	10	224,725	9	266,600	11	127,900	5	136,000
Decks Pools Signs	2	93,750	1	6,000	0	0	0	0	0	0	1	3,000	5	67,000
Renovations	8	219,400	11	173,600	11	1,177,300	13	1,167,300	9	779,960	12	309,900	13	529,289
Totals	601	$30,714,446	607	$36,009,029	591	$47,366,313	522	$36,231,864	474	$27,438,853	362	$40,726,331	250	$12,068,193

Source: Caroline County Dept of Planning

Types	2010 Number Permits	2010 Value	2011 Number Permits	2011 Value	2012 Number Permits	2012 Value
Homes	45	$5,716,254	22	$3,237,000	24	$3,924,530
Accessory Dwellings	2	200,000	1	$55,000	3	$140,000
Accessory Structures	81	1,465,340	40	$537,030	37	$730,355
Additions	43	637,636	32	$1,190,508	29	$788,200
Comm/Industrial & Institutional	10	4,767,189	8	$1,484,400	10	$338,100
Mobile Homes	10	415,298	6	$134,500	7	$404,316
Poultry Structures/Ag	37	1,176,068	26	$783,039	27	$730,057
Change of Use/Home Occupation			6	$300		
Shoreline Projects	6	103,500	5	$131,350	5	$88,400
Foundation	0	0	36	$336,002	30	$314,924
Renovations	14	243,238	14	$264,048	9	$91,920
Totals	248	$14,724,523	196	$8,153,177	181	$7,550,802

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	112	114	120	131	131	129	130	122	131	130
Public Safety	26	26	28	30	33	33	33	31	31	31
Public Works	55	52	54	55	55	55	37	45	40	40
Leisure Services	7	7	9	9	9	11	10	10	9	9
Total	200	199	211	225	228	228	210	208	211	210

Source: Caroline County Human Resources

Operating Indicators by Function/Program
Last Ten Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government*										
Payroll Checks Processed	6,800	7,000	7,500	8,198	8,113	8,216	8,190	8,092	7,855	7,964
Number of Checks Written	6,895	6,986	7,028	7,106	7,200	6,304	5,664	5,007	4,351	4,359
Purchase orders Issued	3,783	3,894	4,370	5,169	5,200	2,472	1,869	1,964	1,779	1,584
Public Safety (calendar year)										
Sheriff Calls for Service(1)	9,901	10,666	12,072	12,897	13,200	12,199	12,199	10,446	12,692	12,011
911 Calls(1)	12,340	15,437	15,796	15,882	16,000	17,008	16,488	16,314	18,288	18,911
Calls for Fire & EMS Dispatches(1)	8,579	8,474	8,474	8,752	9,000	8,793	8,459	5,457	5,548	5,306
Avg Detention Ctr Daily Population(2)	90	85	85	96	83	98	92	111	98	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	8
Uniform Police Officers(3)	NA	NA	NA	NA	78	77	62	63	63	62
Number of Vehicles	NA	NA	NA	NA	79	76	68	68	68	71
Number of Type 1 law violations (3)	NA	NA	NA	NA	985	1,211	1,146	1,221	1,070	NA
Physical arrests (3)	NA	NA	NA	NA	1,753	2,087	2,170	2,137	1,957	NA
Traffic violations (3)	NA	NA	NA	NA	4,636	5,935	7,830	NA	5,900	NA
Public Works**										
Miles of Roads Serviced	39	40	28	62	34	-	-	-	38	38
Annualized Tonnage for Collection Sites	5,943	5,969	6,109	6,299	6,400	5,493	5,091	3,199	1,401	1,401
Parks and Rec***										
Number of Programs	252	276	267	300	310	312	313	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-Calendar Year

Caroline County Maryland
Capital Asset Statistics
Last Ten Years
Schedule 18

Function/Program June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Facilities										
Police Stations in County(1)	7	7	7	7	7	7	7	7	7	8
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	398.95	398.80	398.24	400.19	400.91	399.00	399.00	399.00	399.00	399.00
Vehicles in Roads Department	22	23	24	25	27	27	27	26	26	26
Caroline County Sheriff Department(7)										
Vehicles in Service	31	31	31	32	32	31	31	32	32	35

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 Assett Records

Caroline County, Maryland
Miscellaneous Statistics
June 30, 2013 (Unaudited)
Schedule 19

Date of Incorporation	1774
Form of Government	Home Rule
Area in Square Miles	321

Population(1)	
1970	19,781
1980	23,143
1990	27,035
2000	29,772
2010	33,066

Employees-Source Human Resources Records	
Exempt	40
Full time	181
Part time (FTE)	19
Total	240

County Maintained Roads-Source Public Works Records	
Paved	399
Unpaved	78
Total	477

Libraries-Source Library Staff	
Number of Libraries	3

Education (Public)-Source BOE Admin Staff	
Number of Schools	
High Schools	3
Middle Schools	2
Elementary Schools	5
Number of Personnel	
Teachers	449
Administrators	47
Support	351
Other	0
Number of students	5,225

(1) 2010 Census
(2) Caroline County Budget Document

Board of Elections-Source Local Election Staff	
Registered voters at last general election	17,596
Number of votes cast last general election	13,286
Percentage of registered voters voting	75.50%

Police Protection- Source Sheriff Budget Document	
Uniform Police Officers	31
Number of Vehicles	35
Number of Offenses-Sheriff Dept (2)	959
Traffic violations (2)	4,623

Detention Center-Source Annual Correction Report	
Detention Center Officers	29
Average Daily Population (2)	111
Average Daily Work Release (2)	2

Fire Protection-Source Emergency Management	
Number of Volunteer Stations	8
Number of Volunteer Members	445
Equipment	
Engines	18
Tankers	8
Aerial Units	2
Rescue Units	6
Brush Units	10
Air Units (MD State Police)	8
Miscellaneous Utility Units	6
Ambulance/Medic Units	17
Boat dive units	2
Command Vehicles	6
Canteen	1
Calls for Service- Fire/Rescue	812
Calls for Emergency Medical	4,494

County Owned Recreation Facilities-Source Pks & Rec	
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