

# **THE COUNTY COMMISSIONERS OF CAROLINE COUNTY**



## **CAROLINE COUNTY, MARYLAND**

---

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2015**

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

---

## CONTENTS

	Page(s)
<b>INTRODUCTORY SECTION</b>	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
<b>FINANCIAL SECTION</b>	13
Independent auditor's report	14-16
Management's discussion and analysis	17-34
<b>Basic financial statements:</b>	
<b>Government-wide statements:</b>	
Statement of net position	35
Statement of activities	36-37
<b>Governmental fund financial statements:</b>	
Balance Sheet	38
Reconciliation of total governmental fund balance to net position of governmental activities	39
Statement of revenues, expenditures and changes in fund balance	40
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	41
<b>Proprietary fund financial statements:</b>	
Statement of net position	42
Statement of revenues, expenses and changes in fund net position	43
Statement of cash flows	44
<b>Fiduciary fund financial statements:</b>	
Statement of fiduciary net position	45
Statement of changes in fiduciary net position	46
<b>Component units:</b>	
Combining statements of net position	47
Combining statement of activities	48
Notes to financial statements	49-102
<b>Required supplementary information:</b>	103
Budgetary comparison schedule - general fund	104-108
Budgetary comparison schedule - SHS medical transportation	109
Schedule of the proportionate share of the net pension liability - Maryland State Retirement and Pension Systems	110
Schedule of contributions - Maryland State Retirement and Pension Systems	111
Actuarial assumptions - pension plan - Maryland State Retirement and Pension Systems	112

	Pages(s)
<b>FINANCIAL SECTION (continued)</b>	
<b>Require supplementary information (continued):</b>	
Schedule of changes in net pension liability and related notes - Caroline County, Maryland Employees' Pension Plan	113
Schedule of employer contributions - Caroline County, Maryland Employees' Pension Plan	114
Other Postemployment Benefit Plan -Funding Progress and Schedule of Employer Contributions	115
Notes to the Required Supplementary Information	116
<b>Other supplementary information:</b>	117
Combining balance sheet - other governmental funds	118-121
Combining statement of revenues, expenditures and changes in fund balances - other governmental funds	122-125
Combining statement of fiduciary net position - agency funds	126
Combining statement of changes in assets and liabilities - agency funds	127-130
Combining statement of net position - other proprietary funds	131
Combining statement of revenues, expenses and changes in fund net position - other proprietary funds	132
Combining statement of cash flows - other proprietary funds	133
Budgetary comparison schedule - capital improvements fund	134
Budgetary comparison schedule - educational facilities fund	135
Budgetary comparison schedule - special revenue funds	136-140
Revenue and expenditure detail - Highway users	141
Expenditure detail - contingency fund - actual vs. budget	142
<b>STATISTICAL SECTION</b>	143
Statistical section index	144
<b>Schedule</b>	
1 Net position by component	145
2 Changes in net position	146-148
3 Fund balances of governmental funds	149
4 Revenues, expenditures and changes in fund balance- governmental funds	150-151
5 Property tax rates direct and overlapping governments	152
6 Assessed and estimated value of taxable property	153
7 Real property tax levies and collections	154
8 Ten largest principal taxpayers	155
9 Ratio of outstanding debt by type	156
10 Ratio of general bonded debt outstanding	157
11 Ratio of annual debt service to total government expenditures	158

<b>STATISTICAL SECTION (continued)</b>		<b>Pages(s)</b>
12	Computation of direct and overlapping general obligation bonded debt	159
13	Demographic statistics	160
14	Major employers in Caroline County	161
15	Deposits of all FDIC-insured institutions operating in Caroline County	162
16	Building permit statistics	163
17	Caroline County government employees by function/program	164
18	Capital asset statistics	165
19	Miscellaneous statistics	166



# INTRODUCTORY SECTION

# COUNTY COMMISSIONERS *of* CAROLINE COUNTY, MARYLAND

WILBUR LEVENGOOD, JR.  
VICE PRESIDENT

LARRY C. PORTER  
PRESIDENT

DANIEL J. FRANKLIN  
COMMISSIONER

SARA B. VISINTAINER  
CHIEF OF STAFF

KEN DECKER  
COUNTY ADMINISTRATOR

HEATHER PRICE  
COUNTY ATTORNEY

November 2, 2015

## **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, 2015*, 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 managers of local government entities are 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 Caroline County Government for the fiscal year ended June 30, 2015, are presented fairly and in

conformity with Generally Accepted Accounting Procedures. 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.

Generally Accepted Accounting Principles require that the management team 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. The MD&A is a summary of the audit written for individuals without a specific background in accounting or finance and is an accessible overview of the County's finances.

## ***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 the Local Government Article 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. Notable water bodies in Caroline County include the Choptank and Tuckahoe Rivers.

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. Land preservation efforts are intended to preserve 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 government 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), road and bridge maintenance, solid waste collection sites, recreation and parks, zoning and code enforcement, health and social services, public education, long-range planning and the general administrative and support services required to run a large organization. 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. With the assistance of professional staff, the County Commissioners prepare revenue estimates for the coming fiscal year. All department and allied agencies funded by the County are sent budget request packages with general information on the County's financial situation and the Commissioners' expectations.

After the requests are submitted, the County Commissioners hold a public hearing. Copies of the requests are made available and the Commissioners hear comment from the public and other stakeholders. After considering all of the requests and comments, the Commissioners prepare a draft budget for a second public hearing. During this hearing, the Commissioners receive comments on the draft budget including proposed revenues, expenditures, capital investment, and changes to taxes and/or fees. The second public hearing meets the State of Maryland's legal requirement regarding property tax rates.

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. As a practical matter, property tax rates must be decided before late May. A flow chart of the budget process and calendar is included in the audit.

The budget process is built on the foundation of a year round effort. The County's Office of Finance tracks and reports revenues and expenditures and provides monthly reports to Commissioners. The Office of Tax and the Comptroller carefully monitor tax receipts and other revenues. 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. Both before and during the budget process, the County Commissioners provide guidance on policy objective and priorities. The budget building process

is open, transparent, iterative and team-oriented. Caroline County is remarkable in the level of cooperation and mutual support that exists between the County government and its allied agencies.

## ***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**

The local economy of Caroline County exists within the larger framework of the state, regional, and national economies. During the reporting period, the U.S. economy continued to improve despite corrections in equities markets. While overall national production (as measured by GDP) showed signs of improvement, many economists continued to express concerns about the “jobless” recovery becoming the “wageless” recovery. When adjusted for inflation, average U.S. wages have increased only 0.7 percent over the past five years.

On a positive note, the County’s unemployment rate of 6.3 percent reflects a steady decline since 2010. The local unemployment rate remains stubbornly higher than the overall state rate of 5.1 percent, a difference that underscores the weaker economy of the Eastern Shore. Caroline also lags behind in family income. The median family income in Caroline was \$46,015 (2013) while the median family income for the State of Maryland was \$72,482. Well-paying local jobs remain scarce. Over half of working residents commute to work locations outside the County, primarily to Talbot County (Easton) and the Annapolis/Baltimore/Washington area or into Delaware.

Widely considered Maryland’s second poorest county (behind Somerset), Caroline’s poverty rate is 16.7 percent compared to 10.2 percent for Maryland. Nearly 60 percent of Caroline County school children participated in the Free and Reduced Price Meals Program (FARMS).

A largely rural, agricultural, and residential county, home values and median sales prices are a reasonably accurate economic barometer. At the peak of housing market in 2006, the average home value in Caroline County (Zillow) was \$237,000 and the median sales price reached \$307,000. The local housing market hit bottom in 2013. In February 2013, the average home value had sunk to \$153,000. By July 2013, the median sales price had fallen to \$113,000. Mirroring the regional economy, housing has made a modest comeback. By the end of the audit period, local housing values had risen to \$169,000 while the median sales value hit \$172,000. The narrowing gap between values and sales prices reflects a return to rough equilibrium in the residential housing market.

Historically, Caroline County housing values have trailed the State of Maryland by roughly \$75,000 to \$100,000. From one perspective, one can argue that this difference represents affordable local housing. Caroline does rank ahead of the rest of the state in percentage of owner-occupied housing (72 percent to 67 percent). Unfortunately, the gap in family income leaves Caroline residents in comparatively worse shape than other Maryland residents in terms of housing affordability.

The recent fragile housing recovery also is at risk due to increased cost imposed by new state regulations. Most residential dwellings in Caroline County rely on private wells and septic systems. New regulations require additional features like “best available technology” septic systems and fire suppression sprinkler systems in residential dwellings. These new requirements can add up to \$25,000 to the cost of the new rural (well-and-septic) home, a staggering increase when compared to the median home values noted above. This can create situations where residents who wish to build a new home cannot secure financing since the cost of construction exceeds the value of the improved property.

While Caroline County has a strong local labor force, there are challenges to the expanding commercial and industrial base. Nearby states (Delaware) offer a more attractive business climate. Transportation infrastructure is limited, particularly MD Route 404 (“Shore Highway”), a highway often congested due to seasonal traffic and the State of Maryland’s failure to widen the road to four-lanes. On a positive note, during the audit period Governor Larry Hogan announced funding to widen Shore Highway to four lanes from MD 50 to past Denton. This will be an investment of over \$170 million and will improve safety and reduce traffic congestion. Work also continues on the replacement of Dover Bridge, another vital link in the county’s transportation infrastructure.

In summary, the local economy has improved but remains heavily reliant on agriculture, a sector of the economy under increasing pressure particularly from new environmental regulations. Caroline—the only landlocked county on Maryland’s Eastern Shore—also is disadvantaged by the comparative lack of waterfront property, a strong source of revenue for neighboring counties. While limited, particularly by state regulations, the local economy has proven resilient and resourceful.

### ***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 Commission. 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, the County greatly reduced capital spending as reflected in the approved budgets. The 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. As noted in the Executive Summary of the MD&A, the County Commissioners allocated unanticipated revenues and cost savings towards capital; however, the overall level of investment remained below levels recommended by management.

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, 2015, unassigned fund balance exceeded 5% of budgeted expenditures.

As noted in the MD&A, a key component of the County Commissioner's long-term financial planning has been the systematic reduction of unfunded liabilities. For example, in 2012 the Commissioners approved a plan to "buy down" accumulated sick leave balances. The initial liability of \$743,501 has been reduced to \$305,215. The Caroline County Employees' Pension Plan's net pension liability has been reduced from \$6.4 million in 2014 to \$5.2 million in 2015.

## **Local Fiscal Philosophy**

The Caroline County Commissioners have maintained a philosophy of fiscal conservatism. While the Board remains opposed to tax increases, the Commissioners did approve a "constant yield" property tax increase of two cents. This was the minimum necessary for the County to raise the same amount of revenue as in the previous year.

Caroline County government operates on a core services model. Despite years of austerity budgets, the County and its allied agencies have continued to deliver essentially the same level of services as before the economic downturn.

The County Commissioners and senior management team value the County's outstanding employees. One of the most notable financial accomplishments of the reporting period was the Commissioner's decision to end the "wage drought" and grant all employees a flat \$1,750 increase in annual pay. As noted in the MD&A, the flat increase was done in order to give the lowest paid workers the greatest percentage raise. The Commissioners also maintained the extraordinary level of benefits provided to County employees.

## **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 eleventh 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 Caroline County Sheriff's Office and the Caroline County Public Library. Caroline County is unique in the degree of cooperation, collegiality, and mutual support shared between the local government and the allied agencies. The heads of those agencies and their boards deserve full credit for a focus on the entire community, not just their individual organization. The County's department heads deserve recognition for maintaining positive staff morale and delivering results despite limited resources. Finally, delivering this report is only possible through the continued leadership and commitment of the Caroline County Commissioners.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K Decker', with a large, stylized initial 'K' and a cursive 'Decker'.

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, 2014**

**Executive Director/CEO**

**Caroline County, Maryland  
Governmental Organization  
Certain Elected and Appointed Officials  
As of June 30, 2015**

**Certain Elected Officials**

County Commissioners

Larry C. Porter, President  
Wilbur Levengood, Jr., Vice President  
Daniel J. Franklin, Commissioner

**Certain Appointed Officials**

County Administrator  
Finance Officer  
Chief of Staff  
County Attorney  
County Comptroller  
Director of Planning & Codes  
Director of Public Works

Ken Decker  
Margaret C. Roe  
Sara Visintainer  
Heather Price  
Catherine P. Moore  
Katheleen Freeman  
Charles Copper

**Independent Auditor**

TGM Group LLC  
Certified Public Accountants  
Salisbury, Maryland

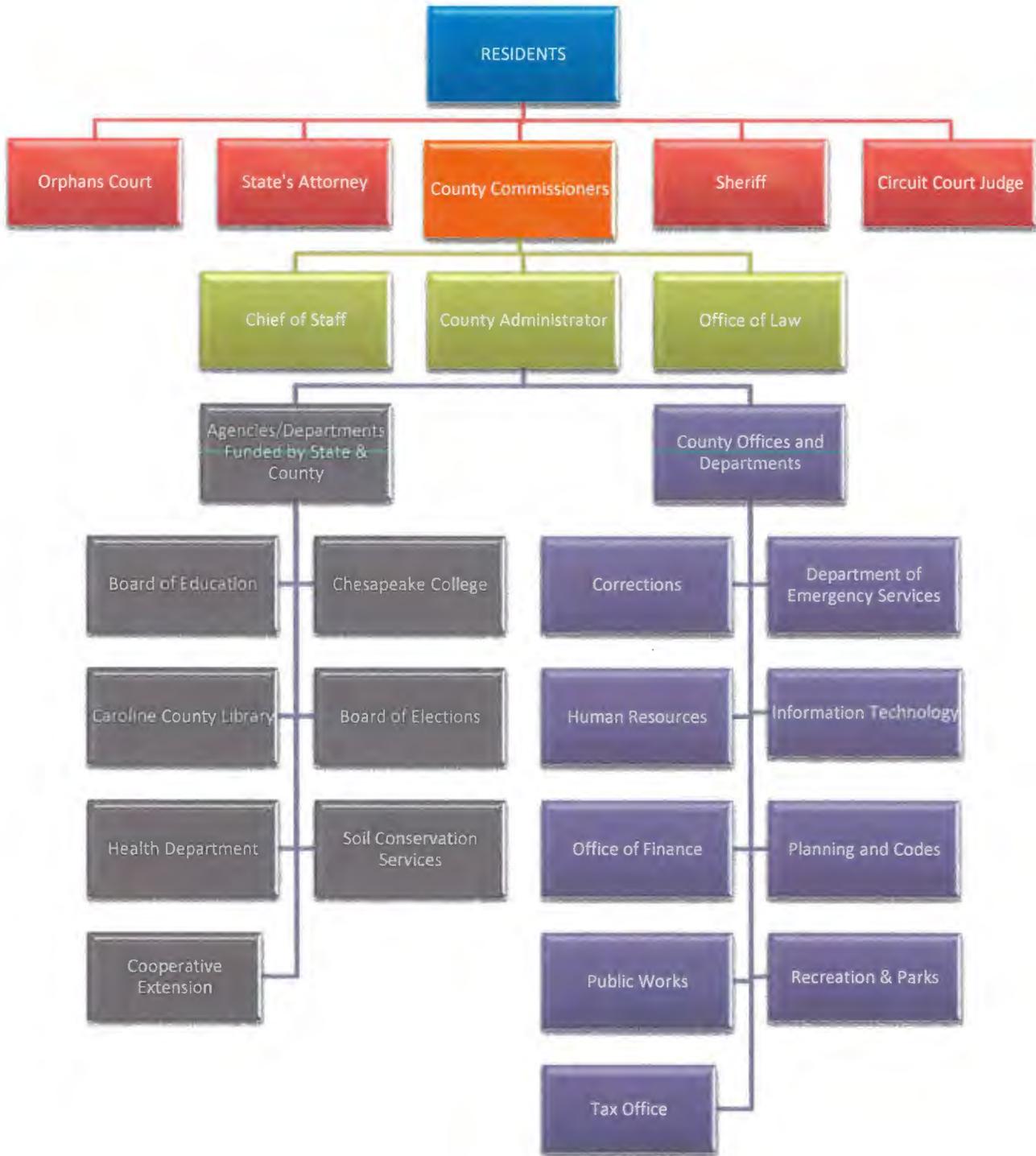
**Bond Counsel**

Funk and Bolton, P.A.  
Baltimore, Maryland

**Financial Advisor**

Davenport & Company LLC  
Towson, Maryland

## CAROLINE COUNTY GOVERNMENT ORGANIZATIONAL CHART



**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.**

**Caroline County Government  
FY2015 Budget Calendar  
Dates of Interest**



JANUARY						
SUN	MON	TUES	WED	THUR	FR	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

FEBRUARY						
SUN	MON	TUES	WED	THUR	FR	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

MARCH						
SUN	MON	TUES	WED	THUR	FR	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

APRIL						
SUN	MON	TUES	WED	THUR	FR	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MAY						
SUN	MON	TUES	WED	THUR	FR	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- January**
- 10 Operating & Capital Budget Submittal Requirements Received by Departments & Agencies
- February**
- 10 All Department & Agency Budget Requests Due to Budget Director
- 18 Annual Municipal Property Tax Differential Meeting  
7:00 PM, Preston Fire Hall, 3680 Choptank Road, Preston, MD
- 25 Budget Requests Presented to County Commissioners by Budget Director
- 27 Public Budget Hearing— To Receive Testimony on Budget Requests  
7:00 PM, Preston Fire Hall, 3680 Choptank Road, Preston, MD
- March**
- 4 Available Unrestricted Reserve Funds Workshop  
Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 11 Budget Roundtable Discussions with Requesting Agencies and Departments  
HAPS Building, 403 S. 7th Street, Denton, Room 110  
1:30 PM: Outside Agencies and Partners  
3:00 PM: Internal County Government Departments
- 18 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- April**
- 1 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 8 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 15 County Commissioners Approve Proposed Budget & Proposed Tax Rates for Public Hearing Advertisements
- May**
- 8 Public Budget Hearings: Proposed Budget, Constant Yield Tax Rate, Municipal Property Tax Differential  
7:00 PM, Goldsboro Fire Hall, 700 Old Line Road, Goldsboro, MD
- 18 Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 20 Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 27 Budget Adoption: Commissioners Adopt Operating & Capital Budgets and Set Property & Income Tax Rates

**Other Information:**

- Budget Workshops listed on the schedule may be cancelled if they are not necessary. Please verify workshops by checking the weekly County Commissioners meeting agenda at [www.carolinemd.org](http://www.carolinemd.org).
- Please note that while budget adoption is scheduled for May 27, the date may change if additional budget finalization workshops are necessary. The statutory deadline for budget adoption is June 10.
- Testimony on the budget can be submitted at any time by mailing it to 109 Market Street, Room 123, Denton, MD 21629; emailing to [info@carolinemd.org](mailto:info@carolinemd.org); or faxing to 410.479.4060.
- The County budget process is governed by Chapter 50 of the Code of Public Local Laws of Caroline County, which can be accessed via the County website at [www.carolinemd.org](http://www.carolinemd.org).



# FINANCIAL SECTION



## 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, 2015, 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, 2015, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other 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 November 2, 2015, 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  
November 2, 2015

**Executive Summary**  
**Management Discussion and Analysis**  
**Caroline County Government, FY 15 Financial Audit**

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

The County’s annual audit is a long document full of accounting jargon and numbers. The goal of the “management discussion and analysis” is talk about the County’s finances in a way that doesn’t require the reader to be a Certified Public Accountant.

Most residents will not read the annual audit. This naturally leads to the question, “Why bother?”

An audit is important. The process reviews internal accounting procedures, provides a safeguard against fraud, and gives taxpayers a full accounting of how public funds are spent. Maryland counties are required to have their “books” examined by an independent auditing firm every year.

**A few basic concepts**

Like most organizations, County government brings in money (revenues) and spends money (expenses). The primary way the County manages its finances is through the annual budget adopted by the County Commissioners. By law, Caroline County must adopt a balanced budget. This means projected expenditures cannot exceed projected revenues.

Caroline County operates on what is called a “fiscal year,” an annual period used for accounting purposes. This is often abbreviated as “FY.” The County’s fiscal year begins on July 1 and ends the following June 30. This audit is for FY 15, or the period from July 1, 2014, to June 30, 2015.

**Revenues**

The County’s two major sources of revenues are property and income taxes. Property taxes are based on the assessed values of local real estate. The State of Maryland—not the County—performs these assessments on a rolling basis, one-third of the county every year.

In FY 15, the assessed values of properties dropped again. This was widely anticipated due to the continued weak local real estate market.

When assessments fall, so do property taxes unless the County Commissioners approve a tax rate increase. In FY 15, the Commissioners increased the property tax rate by two cents. This was just enough for the County to collect the same amount of property taxes in FY 15 as FY 14. Readers following local government may have heard the expression “constant yield” tax increase. This is exactly what happened in FY 15. The Commissioners increased the rate to allow the County to collect the same amount of revenues as the previous year.

Income tax receipts increased more than expected in FY 15. The previous Board of Commissioners increased the income tax rate slightly (one-tenth of one percent). When they made this decision, they also established a policy that the additional money created by the increase would be set aside for capital spending, large purchases like vehicles, heavy equipment, or buildings. In FY 15, this “set aside” amount was \$400,000. Overall, revenues were higher than expected in the FY 15 budget. This was a positive development that allowed the County to make progress in several key areas.

### **Expenses**

The single biggest expense for local government is labor in the form of pay and benefits. Caroline County is no different.

Since the Great Recession, Caroline County had not granted a pay increase for County employees. In FY 15, the Commissioner ended the seven-year wage drought and approved a flat \$1,750/year increase per employee. This translates to about a four percent pay hike for a County employee at the median wage level. The Commissioners made a deliberate decision to make the raise a flat amount in order to give the lowest-paid workers the highest percentage increase.

In FY 15, the County continued to face benefit cost increases. During the audit period, the Commissioners decided to leave a self-insured health insurance consortium and move onto the State of Maryland health insurance plan—a transition that is expected to save money for both the County and employees in FY 16.

Despite the sharp downturn in equity markets, balances of the County’s pension and “other post-employment benefits” (OPEB) plans improved. The pension plan exists to provide retirement income to qualified County employees. The OPEB plan is a fund for retiree healthcare benefits.

### **Unfunded liabilities**

This is a good point to talk about “unfunded liabilities” using the County’s pension fund as an example. The pension plan is a legal contract with current and future retirees. Put simply, it is a promise. The pension fund is money set aside (and invested) to fulfill this promise.

Every year, the balance of the pension fund increases through the contributions of the County and employees and (hopefully) investment returns. In turn, every year the cumulative liability of the pension fund increases. To answer the question, “Have we set aside enough money in the pension plan?” requires a highly specialized professionals called actuaries who use complex formulas to calculate how much money a pension (or OPEB) fund will need to meet both current and future obligations.

If a pension fund has 100 percent of the money it is calculated to need, the plan is fully funded. If there isn't enough money, the shortfall is called an “unfunded liability.”

Over the past ten years, underfunded pension and OPEB plans have become a national issue. Cumulatively, state and local governments have over \$3.4 trillion in pension obligations with about \$1 trillion unfunded. Because of changes to governmental accounting standards, counties like Caroline are now required to report unfunded liabilities in annual audits.

This is a complex issue because the County is responsible for partly funding teacher pensions, fully funding the Law Enforcement Officers Pension System (LEOPS) for the Caroline County Sheriff's Office, and totally responsible for the County's pension and OPEB plans. In its local plans, the County has made tremendous progress over the past five years. This is due to consistent funding and the pension reforms adopted by the County Commissioners in 2013.

## **Expenses, Part 2**

In FY 15, the County avoided any major increases in expenditures. In response to a request for a 20 percent increase in funding from the County's eight volunteer fire companies, the Commissioners authorized a one-time drawdown of the reserve fund for the volunteer firefighters Length of Service Award Program (LOSAP). The Commissioners also increased local support for the Caroline County Drug Task Force.

New expenses beyond the Commissioners' control include debt service for Chesapeake College's Allied Health/Gymnasium project. The County also funded long-planned renovations at Preston Elementary School and the construction of a new building to house DES office and the Denton EMS station. The new DES/EMS building has allow the County to move out of leased space and will be budget neutral in FY 16. In future years, the County will see additional savings by paying fixed debt service and avoiding future lease/rent increases.

## **Municipal Property Tax Differential**

While not required by state law, Caroline County grants a property tax break to property owners inside the larger municipalities. In FY 15, the differential cost the County \$ 459,000 in property tax revenue.

## **Infrastructure**

While County government's single most important resource is its employees, its single largest cumulative investment is in local infrastructure. Setting aside K-12 schools, public libraries, and property owned by allied agencies, the County owns 399 miles of treated roads, 76 miles of dirt roads, 39 bridges and structures, over 250,000 square feet of buildings, and over \$10 million in vehicles and heavy equipment. Much like unfunded liabilities, "deferred maintenance" is a major financial challenge.

## **Deferred Maintenance**

Deferred maintenance is a broad phrase used to describe postponing repair or replacement of aging infrastructure in order to save money in the short term. It is important to remember that the FY 15 audit—like all audits—is simply a snapshot of the County's finances during a single year.

To understand deferred maintenance, one must turn back the clock to 2009 when the State of Maryland cut Highway User Revenues—a traditional source of local road maintenance funding—by 95 percent. Cumulatively, local governments in Maryland have lost about \$2.1 billion. At its peak, Caroline County received \$ 4,193,556 in Highway User Revenues. In FY 15, the County received only \$ 390,172.

This severe cut in local revenues was further compounded by the State of Maryland shifting new costs onto local governments and sharp declines in property and income tax revenues. One of the ways the County dealt with the financial shortfall was by simply deferring maintenance and capital investment. Infrastructure like roads, bridges, building, and vehicles aged making the eventual repair and replacement more expensive.

In FY 15, the County was able to make up ground on deferred maintenance through the spring "sweep." Due to careful budgeting, the County has finished the past few fiscal years "in the black" (revenues higher than expenses). The County also has a target minimum reserve balance of funds. During the past few springs, the Commissioners have spent down the reserve balance to the minimum established by policy (a sum equal to five percent of annual revenues). This spending down process has become known as "the sweep." During the reporting period, the Commissioners voted to make a wide range of capital investments including Sheriff's Office vehicles, HVAC replacements, heart monitors for ambulances, a new grader for Public Works, and resurfacing tar-and-chip roads.

## Summary

Perhaps the easiest way to begin this summary is with a quote from the County's FY 14 audit:

*Maryland's second poorest county, Caroline relies heavily on agriculture, a sector of the economy under increasing pressure from environmental regulations. The county has very modest commercial and industrial tax base; prospects for growth are limited by infrastructure. Residential construction and growth has fallen precipitously. State regulations like the requirement to install fire suppression sprinkler systems and "best available technology" septic systems in new homes have pushed the construction cost of new homes beyond fair market values.*

As an area, Caroline County remain largely in the same position despite the unexpected results of Maryland's gubernatorial election. While there was a flurry of permit activity before July 1 to avoid the new fire sprinkler system mandate, the future of residential construction in rural Maryland is bleak. The Caroline Economic Development Corporation (CEDC) has made progress under new leadership, Maryland's economic and regulatory climate presents major challenges.

Despite structural challenges, the County has continued to make substantial financial progress. The FY 15 audit documents across-the-board improvements in the County's fiscal situation. Careful management and strong governance from the County Commissioners have yielded positive results. In particular, the careful spending of public funds by County staff have helped tremendously.

The County does face some daunting financial challenges in the coming decade including the need for school capacity, a replacement for the aging public safety building, and a major investment in public safety radios. While these will present difficult choices, there is greater cause for optimism today than any time since 2006.

## **Management's Discussion and Analysis**

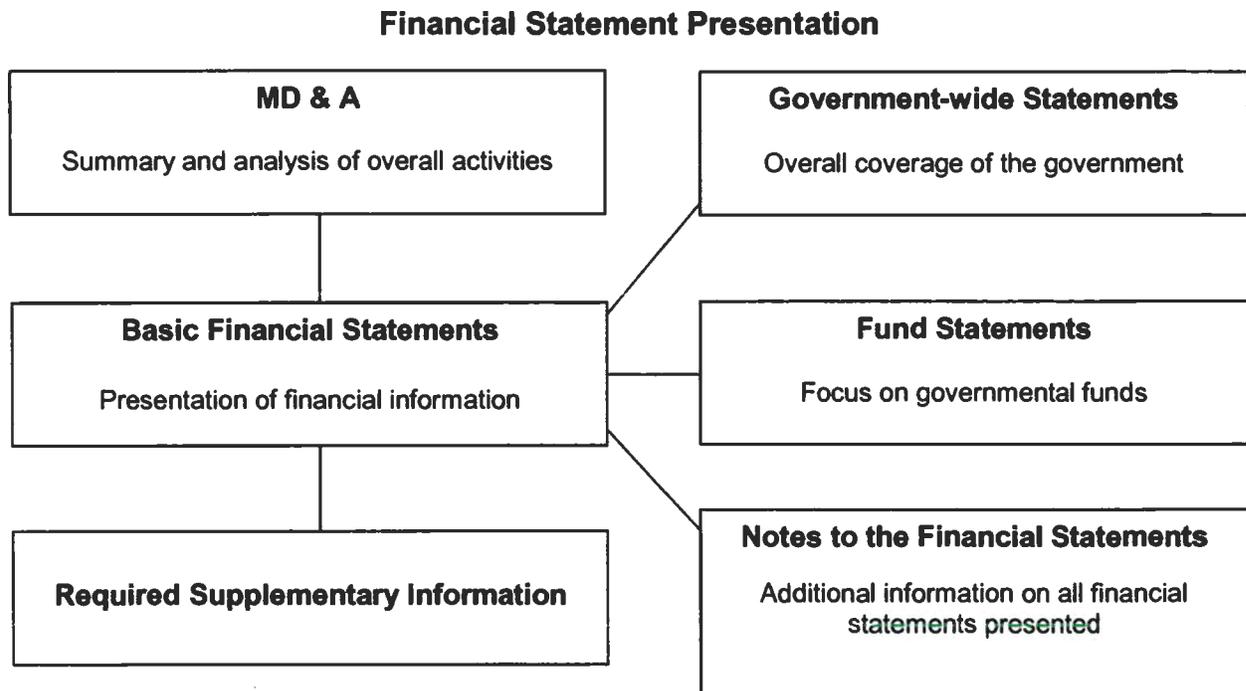
This narrative section of the Comprehensive Annual Financial Report of Caroline County, Maryland presents an overview and analysis of the financial activities of Caroline County's Government for the fiscal year ended June 30, 2015. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

### **Financial Highlights**

- Total fund balance for the General Fund was \$7,332,915 at June 30, 2015.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$28,237,396 (net position). Of total net position \$5,506,962 (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 \$2,930,162 compared with the prior year. The primary government includes Caroline County Government, but excludes Caroline County Board of Education and the Caroline County Public Library, which are component units. The County is responsible for the fiscal support of component units' projects, but does not hold possession of the assets.
- As of June 30, 2015, the County's governmental funds reported combined fund balances of \$15.7 million, an increase of \$6.1 million from the prior year. Approximately \$6.5 million is available to meet the County's current and future needs (unassigned fund balance), \$1.2 million is assigned, \$6.6 million is committed, \$1.2 million is restricted, and \$0.2 million is non-spendable. Of the \$1.2 million assigned fund balance, \$600,000 is for use in the FY2016 budget.
- Unassigned fund balance for the General Fund was \$6,539,975 for the year ended June 30, 2015.
- Long-term Liabilities include approximately \$30.7 million in bonds payable, approximately \$4.7 million in loans and notes payable, and landfill closure costs of approximately \$2.2 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.



### ***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, and Broadband.

The government-wide financial statements include not only the operations of Caroline County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Caroline County, Maryland and the Board of Library Trustees for Caroline County, Maryland. The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide 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 effects 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-six 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, SHS Medical Transportation, and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty-three 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, and Broadband.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Recreation Programs, Public Works, and Broadband Supply funds are combined, while the Basic Life Support fund is considered a major fund. 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 ten agency funds: State Property Tax Fund, Town Property Tax Fund, Department of Motor Vehicle Tag Sales Fund, Hotel Rental Tax, Tax Sale Proceeds Fund, Inmate Account, Confiscated Properties Fund, Bay Restoration Fund, Public Drainage Association and Home Builder Guaranty Fund. The Fireman’s Association Fund (LOSAP), the Retiree Health Care Fund, the Employees’ Pension Plan and OPEB Trust Funds are benefit trust funds. The fiduciary fund financial statements can be found within this report, as listed in the table of contents.

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

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and disclosures that are not considered a part of the basic financial statements. Schedules included in this section are: 1) budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget, and 2) schedules showing

the County's progress in funding its obligation to provide pension and other postemployment 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 twelfth 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 position is as follows:***

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$19,713,256	\$13,309,288	\$1,589,761	\$1,376,389	\$21,303,017	\$14,685,677
Capital assets, net of depreciation	57,582,215	57,295,281	257,360	240,041	57,839,575	57,535,322
<b>Total assets</b>	<b>77,295,471</b>	<b>70,604,569</b>	<b>1,847,121</b>	<b>1,616,430</b>	<b>79,142,592</b>	<b>72,220,999</b>
Deferred Outflows of Resources	2,292,070	1,547,385	-	-	2,292,070	1,547,385
Noncurrent liabilities	49,874,207	46,901,473	-	-	49,874,207	46,901,473
Other liabilities	1,648,921	1,350,916	260,756	208,761	1,909,677	1,559,677
<b>Total liabilities</b>	<b>51,523,128</b>	<b>48,252,389</b>	<b>260,756</b>	<b>208,761</b>	<b>51,783,884</b>	<b>48,461,150</b>
Deferred Inflows of Resources	1,413,382	-	-	-	1,413,382	-
Net position:						
Invested in capital assets, net of related debt	21,285,188	25,789,169	257,360	240,041	21,542,548	26,029,210
Restricted	1,187,896	1,193,871	-	-	1,187,896	1,193,871
Unrestricted	4,177,957	(3,083,475)	1,329,005	1,167,628	5,506,962	(1,915,847)
<b>Total net position</b>	<b>\$26,651,031</b>	<b>\$23,899,565</b>	<b>\$1,586,365</b>	<b>\$1,407,669</b>	<b>28,237,396</b>	<b>25,307,234</b>

Net position may serve over time as a useful indicator of a government's financial position. In Caroline County, assets exceeded liabilities by approximately \$28.2 million at the close of the most recent fiscal year, which is an increase of \$2.9 million from the previous year. See footnote 16 for the effects of GASB No. 68.

By far, the largest portion of Caroline County's net position, approximately \$21.5 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 unassigned net position of \$5.5 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 position for the government.

## Changes in Net Position

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$1,657,933	\$1,582,717	\$2,606,493	\$2,718,707	\$4,264,426	\$4,301,424
Operating grants	2,527,132	2,489,848	340,629	285,070	2,867,761	2,774,918
Capital grants	633,693	1,537,634	-	-	633,693	1,537,634
<b>General revenues:</b>						
Property taxes	24,922,043	24,718,235	-	-	24,922,043	24,718,235
Other taxes	14,722,998	13,056,195	-	-	14,722,998	13,056,195
Operating grants (Unrestricted)	2,700,488	2,677,520	-	-	2,700,488	2,677,520
Other	16,546	16,265	-	-	16,546	16,265
<b>Total Revenues</b>	<b>47,180,833</b>	<b>46,078,414</b>	<b>2,947,122</b>	<b>3,003,777</b>	<b>50,127,955</b>	<b>49,082,191</b>
<b>Program Expenses:</b>						
General Government	5,463,688	5,589,617	-	-	5,463,688	5,589,617
Public Safety	13,557,853	13,339,410	-	-	13,557,853	13,339,410
Public Works	4,219,727	4,057,284	-	-	4,219,727	4,057,284
Health	452,838	452,838	-	-	452,838	452,838
Social Services	138,128	135,638	-	-	138,128	135,638
Primary Education	15,739,948	13,416,327	-	-	15,739,948	13,416,327
Secondary Education	1,436,220	2,958,503	-	-	1,436,220	2,958,503
Recreation and Culture	1,332,703	1,356,787	-	-	1,332,703	1,356,787
Library	1,135,477	1,114,000	-	-	1,135,477	1,114,000
Conservation of Natural Res.	185,296	175,454	-	-	185,296	175,454
Economic Development	512,050	446,998	-	-	512,050	446,998
Interfaith Housing	6,000	6,000	-	-	6,000	6,000
Interest On Long-Term Debt	1,028,383	992,355	-	-	1,028,383	992,355
Other	-	-	1,989,482	1,864,108	1,989,482	1,864,108
<b>Total Expenses</b>	<b>45,208,311</b>	<b>44,041,211</b>	<b>1,989,482</b>	<b>1,864,108</b>	<b>47,197,793</b>	<b>45,905,319</b>
Excess (Deficiency) before transfers	1,972,522	2,037,203	957,640	1,139,669	2,930,162	3,176,872
Net Transfers in (out)	778,944	1,598,264	(778,944)	(1,598,264)	-	-
<b>Change in Net Position</b>	<b>2,751,466</b>	<b>3,635,467</b>	<b>178,696</b>	<b>(458,595)</b>	<b>2,830,162</b>	<b>3,176,872</b>
Net Position – Beginning, as restated	23,899,565	20,264,098	1,407,669	1,866,264	25,307,234	22,130,362
<b>Net Position – Ending</b>	<b>\$26,651,031</b>	<b>23,899,565</b>	<b>\$1,586,365</b>	<b>\$1,407,669</b>	<b>\$28,237,396</b>	<b>\$25,307,234</b>

See footnote 16 for the effects of GASB No. 68.

Governmental activities show an increase of \$2,751,466. Business-type activities showed an increase in net position of \$178,696.

**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 \$204 thousand during FY 2015. This increase is less than the previous year's \$611 thousand increase. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the Central 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 2015. FY 2015 income taxes revenues indicate employment is modestly recovering however a continuing declining real estate market has 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 .94 per \$100 to .96 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 effect 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 an increase in net position of \$53,053 in FY 2015 compared to an increase in FY 2014 of \$26,748.

The Emergency Medical Services (EMS) Fund or Basic Life Support (BLS) Fund was established to collect fees from patients of the system through insurance billing. The fees collected support both paid County EMS personnel and certified volunteers who provide services through a shared arrangement. Revenue collected through charges for services increased by \$9,690 from FY 2014 to FY 2015. Expenses of the programs increased \$225,838.

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 \$ 72,855 an increase of \$ 1,730 compared to FY2014.

Combined business-type activities generated \$957,640 in net revenues over expenses, with \$ 778,944 transferred to governmental activities. This resulted in net position increasing by \$178,696 from FY 2014.

### **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 \$15.7 million. Approximately \$6.5 million of the total constitutes unassigned fund balance, which is available for spending at the County's discretion, \$1.2 million is assigned, \$6.6 million is committed, \$1.2 million is restricted, and \$0.2 million is non-spendable.

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 \$ 6.5 million, while total fund balance was \$7.3 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 \$ 1,293,234 in FY 2015.
- Property tax revenue remained stable as the tax rate was raised to constant yield.
- Income tax remained stable from FY 2014 and was estimated conservatively. The over budget figure was \$779,932.
- Recordation tax increased \$558,162 from FY14 and was \$562,328 over budget. We had some one time transfers but still have seen a significant increase.
- Departments primarily stayed within their budgets.

In the FY 2015 budget, the Caroline County Commissioners took the following actions:

- In addition to the \$1,750 increase in pay given to all employees, eligible employees received a one half-percent increase in pay to offset the increase in pension cost.
- Departments were budgeted at flat or reduced budget compared to the FY 2014 budget.

Fund balance of the capital improvement fund increased by \$ 4,842,291 due to issuance of the 2014 bond.

Post employee benefits fund was established as a trust fund in FY 2009. There was a token contribution of \$69,430 for FY 2015. While this is not the commitment level desired by the County there were no available funds to contribute.

**Proprietary funds.** Caroline County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Total net position increased from \$1,407,669 in 2014 to \$1,586,365 in FY 2015.

### **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.
- Recordation 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 2016 budget is projected to use \$600,000 of fund balance, and is 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 16 has an offsetting grant the FY17 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, 2015, amounts to \$57.8 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 increased slightly due to improvements increasing slightly more than 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 fund 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	
	2015	2014	2015	2014	2015	2014
Land and Land Improvements	\$12,934,062	\$12,934,062	\$ -	\$ -	\$12,934,062	\$12,934,062
Non-depreciable infrastructure	17,052,974	17,052,974	-	-	17,052,974	17,052,974
Construction in progress	784,040	364,642	-	-	784,040	364,642
Infrastructure	7,658,637	7,543,016	-	-	7,658,637	7,543,016
Buildings	10,974,043	10,756,512	-	-	10,974,043	10,756,512
Utilities	1,475,086	1,505,552	-	-	1,475,086	1,505,552
Improvements	3,965,209	4,025,801	257,360	240,041	4,222,560	4,265,842
Machinery and equipment	2,738,164	3,112,722	-	-	2,738,164	3,112,722
<b>Total</b>	<b>\$57,582,215</b>	<b>\$57,295,281</b>	<b>\$257,360</b>	<b>\$240,041</b>	<b>\$57,839,575</b>	<b>\$57,535,322</b>

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 \$35.5 million, which are backed by the full faith and credit of the County.

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

**June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$30,708,915	0	\$30,708,915

During the current fiscal year, the County's general obligation bonds increased by \$ 4.8 million. We incurred new debt of \$7.3 Million and paid debt of \$2.5.

The County has a rating of "A3" from Moody's Investment Service and an upgraded "AA-" 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 5.7% in June 2015. The State's average was 5.4%.<sup>1</sup>
- 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 2016.

The State of Maryland budget problems have increased, and a deficit is projected going into FY 2016. 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 does not have a large negative impact thru FY 16 because of the offsetting grant; the FY 17 shift and forward will present serious challenges in balancing our budgets. The State passed down assessment office cost to each county FY 2012.

---

• <sup>1</sup> Monthly Labor Review June 2015 Maryland Department of Labor, Licensing and Regulation  
[www.dlir.state.md.us](http://www.dlir.state.md.us)

## **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](http://www.carolinemd.org)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
STATEMENT OF NET POSITION  
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 14,096,674	\$ 1,307,382	\$ 15,404,056	\$ 13,607,905
Deposits	114,446	-	114,446	-
Taxes receivable	182,221	-	182,221	-
Accounts receivable	606,579	282,379	888,958	767,227
Other receivables	198	-	198	-
Prepaid expenses	20,473	-	20,473	67,236
Inventories	172,467	-	172,467	47,534
Due from other governments	1,657,640	-	1,657,640	1,499,760
Prepayment of OPEB	2,176,940	-	2,176,940	-
Other assets	685,618	-	685,618	-
Restricted assets:				
Cash and cash equivalents	-	-	-	528,942
Capital assets:				
Nondepreciable assets	30,771,076	-	30,771,076	12,393,113
Depreciable assets, net	26,811,139	257,360	27,068,499	75,433,421
<b>Total assets</b>	<b>77,295,471</b>	<b>1,847,121</b>	<b>79,142,592</b>	<b>104,345,138</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension (see Note 8)	2,292,070	-	2,292,070	480,850
<b>LIABILITIES:</b>				
Accounts payable	720,096	230,707	950,803	489,174
Accrued expenses	537,472	-	537,472	7,659,196
Unearned revenue	306,162	30,352	336,514	668,833
Internal balances, net	303	(303)	-	-
Other liabilities	84,888	-	84,888	-
Non-current liabilities:				
Net pension liability (see Note 8)	8,371,207	-	8,371,207	3,202,423
Due within one year	3,667,629	-	3,667,629	948,558
Due in more than one year	37,835,371	-	37,835,371	37,473,803
<b>Total liabilities</b>	<b>51,523,128</b>	<b>260,756</b>	<b>51,783,884</b>	<b>50,441,987</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions (see Note 8)	1,413,382	-	1,413,382	350,526
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	21,285,188	257,360	21,542,548	83,217,572
Restricted for:				
Special Grants	4,341	-	4,341	-
OJP Grants Law Enforcement	1,349	-	1,349	-
Revolving Loan	211,432	-	211,432	-
MEAF Revolving Loan	154,176	-	154,176	-
Commissary Account	6,593	-	6,593	-
Law Library	15,945	-	15,945	-
Drug Task Force	109,889	-	109,889	-
Dayspring Townhomes	684,161	-	684,161	-
Library - fund purposes	-	-	-	78,444
Unrestricted	4,177,957	1,329,005	5,506,962	(29,262,541)
<b>Total net position</b>	<b>\$ 26,651,031</b>	<b>\$ 1,586,365</b>	<b>\$ 28,237,396</b>	<b>\$ 54,033,475</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Net Expense/Revenue	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government	\$ 5,463,688	\$ 669,766	\$ 1,062,425	\$ -	\$ (3,731,497)	\$ -	\$ (3,731,497)	\$ -
Public Safety	13,557,853	624,976	967,698	131,000	(11,834,179)	-	(11,834,179)	-
Public Works	4,219,727	260,780	-	451,822	(3,507,125)	-	(3,507,125)	-
Health	452,838	117	-	-	(452,721)	-	(452,721)	-
Social services	138,128	932	-	-	(137,196)	-	(137,196)	-
Primary education	15,739,948	-	-	-	(15,739,948)	-	(15,739,948)	-
Secondary education	1,436,220	-	-	-	(1,436,220)	-	(1,436,220)	-
Library	1,135,477	-	-	-	(1,135,477)	-	(1,135,477)	-
Recreation and culture	1,332,703	87,700	193,505	40,740	(1,010,758)	-	(1,010,758)	-
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-
Conservation of natural resources	180,296	13,662	60,516	-	(106,118)	-	(106,118)	-
Interfaith housing	6,000	-	-	-	(6,000)	-	(6,000)	-
Economic development	512,050	-	242,988	10,131	(258,931)	-	(258,931)	-
Interest on long-term debt	1,028,383	-	-	-	(1,028,383)	-	(1,028,383)	-
<b>Total governmental activities</b>	<b>45,208,311</b>	<b>1,657,933</b>	<b>2,527,132</b>	<b>633,693</b>	<b>(40,389,553)</b>	<b>-</b>	<b>(40,389,553)</b>	<b>-</b>
Business-type activities:								
Basic life support	650,905	1,419,113	-	-	-	768,208	768,208	-
Recreation	525,511	239,635	340,629	-	-	54,753	54,753	-
Broadband supply	168,411	230,235	-	-	-	61,824	61,824	-
Public works	644,655	717,510	-	-	-	72,855	72,855	-
<b>Total business-type activities</b>	<b>1,989,482</b>	<b>2,606,493</b>	<b>340,629</b>	<b>-</b>	<b>-</b>	<b>957,640</b>	<b>957,640</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 47,197,793</b>	<b>\$ 4,264,426</b>	<b>\$ 2,867,761</b>	<b>\$ 633,693</b>	<b>(40,389,553)</b>	<b>957,640</b>	<b>(39,431,913)</b>	<b>-</b>
<b>COMPONENT UNITS:</b>								
Board of Education of Caroline Co.	\$ 82,103,391	\$ 4,269,458	\$ 10,197,122	\$ 9,286,138	-	-	-	(58,350,673)
Board of Library Trustees of Caroline Co.	1,714,312	35,843	221,879	-	-	-	-	(1,456,590)
<b>Total component units</b>	<b>\$ 83,817,703</b>	<b>\$ 4,305,301</b>	<b>\$ 10,419,001</b>	<b>\$ 9,286,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(59,807,263)</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES  
(CONTINUED)

YEAR ENDED June 30, 2015

	Net (Expenses) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total Net Expense/ Revenue	
General revenues:				
Local property taxes	\$ 24,922,043	\$ -	\$ 24,922,043	\$ -
Income taxes	12,279,932	-	12,279,932	-
Other local taxes:				
Recordation tax	1,662,328	-	1,662,328	-
School construction excise tax	179,944	-	179,944	-
Mobile home tax	66,537	-	66,537	-
Transfer taxes	534,257	-	534,257	-
State shared general revenue	2,700,488	-	2,700,488	-
Interest and investment earnings	16,546	-	16,546	4,190
Other income	-	-	-	256,569
County and State appropriations	-	-	-	62,378,897
Net transfers in (out)	778,944	(778,944)	-	-
Total general revenues and transfers	43,141,019	(778,944)	42,362,075	62,639,656
Change in net position	2,751,466	178,696	2,930,162	2,832,393
Net position - beginning, as restated	23,899,565	1,407,669	25,307,234	51,201,082
Net position - ending	\$ 26,651,031	\$ 1,586,365	\$ 28,237,396	\$ 54,033,475

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	SHS Medical Transportation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,213,679	\$ 240,000	\$ 5,342,784	\$ 1,300,211	\$ 14,096,674
Deposits	-	-	114,446	-	114,446
Receivables:					
Taxes	182,221	-	-	-	182,221
Accounts	-	-	326,065	280,514	606,579
Other	198	-	-	-	198
Due from other funds	122,062	-	883,472	-	1,005,534
Due from other governments	1,615,588	-	-	-	1,615,588
Prepaid items	20,473	-	-	-	20,473
Material and supplies, at cost	172,467	-	-	-	172,467
Other assets	-	-	-	685,618	685,618
<b>Total assets</b>	<b>\$ 9,326,688</b>	<b>\$ 240,000</b>	<b>\$ 6,666,767</b>	<b>\$ 2,266,343</b>	<b>\$ 18,499,798</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 299,014	\$ -	\$ 378,770	\$ 42,312	\$ 720,096
Accrued items	537,472	-	-	-	537,472
Due to other funds	883,473	-	-	122,364	1,005,837
Unearned revenues	49,249	240,000	-	16,913	306,162
Other liabilities	60,029	-	-	24,859	84,888
<b>Total liabilities</b>	<b>1,829,237</b>	<b>240,000</b>	<b>378,770</b>	<b>206,448</b>	<b>2,654,455</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	164,536	-	-	-	164,536
Fund balance:					
Non-spendable	192,940	-	-	-	192,940
Restricted	-	-	-	1,187,886	1,187,886
Committed	-	-	6,287,997	271,502	6,559,499
Assigned	600,000	-	-	611,952	1,211,952
Unassigned	6,539,975	-	-	(11,445)	6,528,530
<b>Total fund balance</b>	<b>7,332,915</b>	<b>-</b>	<b>6,287,997</b>	<b>2,059,895</b>	<b>15,680,807</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 9,326,688</b>	<b>\$ 240,000</b>	<b>\$ 6,666,767</b>	<b>\$ 2,266,343</b>	<b>\$ 18,499,798</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

June 30, 2015

Total Governmental Fund Balance	\$ 15,680,807
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	57,582,215
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	42,052
Deferred outflow of resources - County pension (see Note 8)	1,822,608
Deferred inflow of resources - County pension (see Note 8)	(1,062,247)
Net pension liability - County pension (see Note 8)	(5,163,217)
Deferred outflow of resources - Maryland State pension (see Note 8)	469,462
Deferred inflow of resources - Maryland State pension (see Note 8)	(351,135)
Net pension liability - Maryland State pension (see Note 8)	(3,207,990)
Prepayment of OPEB	2,176,940
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds	164,536
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	(35,496,564)
Dayspring Townhomes	(2,530,583)
Accrued landfill liability	(2,231,919)
Compensated absences which are not due and payable in the current period and, therefore, are not reported in the funds	(1,243,934)
<b>Net position of Governmental Activities</b>	<b>\$ 26,651,031</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2015

	General Fund	SHS Medical Transportation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 39,463,249	\$ -	\$ 534,257	\$ 194,670	\$ 40,192,176
License and permits	186,124	-	-	117	186,241
Intergovernmental revenues	3,976,803	-	619,171	453,535	5,049,509
Charges for services	825,888	-	-	15,340	841,228
Miscellaneous revenues	69,474	-	75,366	612,422	757,262
<b>Total revenues</b>	<b>44,521,538</b>	<b>-</b>	<b>1,228,794</b>	<b>1,276,084</b>	<b>47,026,416</b>
<b>Expenditures:</b>					
General government	5,072,952	-	335,546	452,529	5,861,027
Public safety	12,262,282	-	1,065,673	480,183	13,808,138
Public works	3,241,282	-	1,724,534	13,094	4,978,910
Health	452,838	-	-	-	452,838
Social services	138,128	-	-	-	138,128
Primary education	13,437,486	-	2,302,462	-	15,739,948
Secondary education	1,527,319	-	-	-	1,527,319
Public Library	1,090,000	-	45,477	-	1,135,477
Recreation and parks	909,950	-	209,105	74,123	1,193,178
Arts	5,000	-	-	-	5,000
Conservation of natural resources	134,413	-	-	-	134,413
Interfaith housing	6,000	-	-	-	6,000
Economic development	242,850	-	-	253,015	495,865
Contingency	79,000	-	-	-	79,000
Debt Service:					
Principal	2,509,085	-	-	-	2,509,085
Interest and fiscal charges	1,028,383	-	-	-	1,028,383
<b>Total expenditures</b>	<b>42,136,968</b>	<b>-</b>	<b>5,682,797</b>	<b>1,272,944</b>	<b>49,092,709</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,384,570</b>	<b>-</b>	<b>(4,454,003)</b>	<b>3,140</b>	<b>(2,066,293)</b>
<b>Other financing sources (uses):</b>					
Bond Premiums	-	-	135,446	-	135,446
Proceeds from issuance of debt	-	-	7,300,000	-	7,300,000
Transfers in / (out)	(1,091,336)	-	1,860,848	9,432	778,944
<b>Total other financing sources (uses)</b>	<b>(1,091,336)</b>	<b>-</b>	<b>9,296,294</b>	<b>9,432</b>	<b>8,214,390</b>
<b>Net change in fund balances</b>	<b>1,293,234</b>	<b>-</b>	<b>4,842,291</b>	<b>12,572</b>	<b>6,148,097</b>
<b>Fund balances, beginning</b>	<b>6,122,253</b>	<b>-</b>	<b>1,445,706</b>	<b>2,047,323</b>	<b>9,615,282</b>
<b>Change in reserve for materials and supplies</b>	<b>(82,572)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(82,572)</b>
<b>Fund balances, ending</b>	<b>\$ 7,332,915</b>	<b>\$ -</b>	<b>\$ 6,287,997</b>	<b>\$ 2,059,895</b>	<b>\$ 15,680,807</b>

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, 2015

Net change in fund balance - Governmental Funds	\$	6,148,097
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.		3,159,679
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.		(25,789)
Governmental funds report the issuance of long term obligations as income and the repayment of long term obligations as expenditures. However, in the government-wide statements, the issuance and repayment of debt are reported as a change in a long-term liability.		(4,530,425)
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.		(19,321)
Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.		18,971
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:		
Change in deferred outflow of resources - County pension (see Note 8)		696,471
Change in deferred inflow of resources - County pension (see Note 8)		(1,062,247)
Change in net pension liability - County pension (see Note 8)		1,228,857
Change in deferred outflow of resources - Maryland State pension (see Note 8)		48,214
Change in deferred inflow of resources - Maryland State pension (see Note 8)		(351,135)
Change in net pension liability - Maryland State pension (see Note 8)		328,834
Decrease in net OPEB prepaid		40,788
Decrease in reserve for materials and supplies		(82,572)
Depreciation expense		(2,846,956)
<b>Change in net position of Governmental Activities</b>		<b>\$ 2,751,466</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Basic Life Support Fund	Other Proprietary Funds	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 755,089	\$ 552,293	\$ 1,307,382
Accounts receivable	828	281,551	282,379
Due from other funds	-	303	303
<b>Total current assets</b>	<b>755,917</b>	<b>834,147</b>	<b>1,590,064</b>
Noncurrent assets:			
Capital assets, net	-	257,360	257,360
<b>Total assets</b>	<b>755,917</b>	<b>1,091,507</b>	<b>1,847,424</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	86,933	143,774	230,707
Unearned revenue	-	30,352	30,352
<b>Total current liabilities</b>	<b>86,933</b>	<b>174,126</b>	<b>261,059</b>
Noncurrent liabilities:			
Long-term debt	-	-	-
<b>Total liabilities</b>	<b>86,933</b>	<b>174,126</b>	<b>261,059</b>
<b>NET POSITION:</b>			
Invested in capital assets	-	257,360	257,360
Unrestricted	668,984	660,021	1,329,005
<b>Total net position</b>	<b>\$ 668,984</b>	<b>\$ 917,381</b>	<b>\$ 1,586,365</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2015

	Basic Life Support Fund	Other Proprietary Funds	Total
Operating revenues:			
Charges for services	\$ 1,419,113	\$ 1,187,380	\$ 2,606,493
<b>Total operating revenues</b>	<b>1,419,113</b>	<b>1,187,380</b>	<b>2,606,493</b>
Operating expenses:			
Personnel services	906	244,539	245,445
Operations and maintenance	649,999	1,041,547	1,691,546
Depreciation expense	-	52,491	52,491
<b>Total operating expenses</b>	<b>650,905</b>	<b>1,338,577</b>	<b>1,989,482</b>
<b>Operating income (loss)</b>	<b>768,208</b>	<b>(151,197)</b>	<b>617,011</b>
Nonoperating revenues (expenses):			
Intergovernmental revenues	-	340,629	340,629
Transfers in (out)	(777,244)	(1,700)	(778,944)
<b>Total nonoperating revenues (expenses)</b>	<b>(777,244)</b>	<b>338,929</b>	<b>(438,315)</b>
<b>Change in net position</b>	<b>(9,036)</b>	<b>187,732</b>	<b>178,696</b>
<b>Net position, beginning of year</b>	<b>678,020</b>	<b>729,649</b>	<b>1,407,669</b>
<b>Net position, end of year</b>	<b>\$ 668,984</b>	<b>\$ 917,381</b>	<b>\$ 1,586,365</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED June 30, 2015

	Basic Life Support Fund	Other Proprietary Funds	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,418,285	\$ 1,096,992	\$ 2,515,277
Cash paid to suppliers	(660,305)	(982,737)	(1,643,042)
Cash paid to employees	(906)	(244,539)	(245,445)
<b>Net cash provided (used) by operating activities</b>	<b>757,074</b>	<b>(130,284)</b>	<b>626,790</b>
<b>Cash flows from noncapital financing activities:</b>			
Transfers in (out)	(777,244)	(1,700)	(778,944)
Payment of interfund loan	-	(96)	(96)
Intergovernmental revenues	-	340,629	340,629
<b>Net cash (used) provided by noncapital financing activities</b>	<b>(777,244)</b>	<b>338,833</b>	<b>(438,411)</b>
<b>Cash flows from capital and financing activities</b>			
Acquisition of capital assets	-	(69,810)	(69,810)
<b>Net cash provided (used) by capital and financing activities</b>	<b>-</b>	<b>(69,810)</b>	<b>(69,810)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(20,170)</b>	<b>138,739</b>	<b>118,569</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>775,259</b>	<b>413,554</b>	<b>1,188,813</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 755,089</b>	<b>\$ 552,293</b>	<b>\$ 1,307,382</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 768,208	\$ (151,197)	\$ 617,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	52,491	52,491
(Increase)/decrease in accounts receivable	(828)	(93,975)	(94,803)
Increase/(decrease) in accounts payable	(10,306)	58,810	48,504
Increase in unearned revenue	-	3,587	3,587
<b>Net cash provided (used) by operating activities</b>	<b>\$ 757,074</b>	<b>\$ (130,284)</b>	<b>\$ 626,790</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 557,928	\$ 785,303
Investments at fair value:		
Fixed income	-	8,638,003
Equity funds	-	14,734,790
<b>Total investments at fair value</b>	<b>-</b>	<b>23,372,793</b>
Taxes and other receivables	53,609	-
Due from general fund	-	59,658
<b>Total assets</b>	<b>\$ 611,537</b>	<b>24,217,754</b>
<b><u>LIABILITIES:</u></b>		
Accounts payable	49,548	-
Due to property owners	398,863	-
Due to other governments	161,894	-
Due to participants	1,232	-
<b>Total liabilities</b>	<b>\$ 611,537</b>	<b>-</b>
<b><u>NET POSITION:</u></b>		
Held in trust for participants		<b>\$ 24,217,754</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED June 30, 2015

	<u>Employee benefit Trust Funds</u>
<b>Additions:</b>	
<b>Contributions:</b>	
Plan sponsor	\$ 1,192,301
Employee	96,027
Gains	174,149
Interest, dividends and gains	694,185
<hr/>	
Total additions	2,156,662
<hr/>	
<b>Deductions:</b>	
Benefits paid	1,644,301
Losses	-
Transfers (in) out	(126,414)
Administrative fees	116,827
<hr/>	
Total deductions	1,634,714
<hr/>	
Change in net position	521,948
Net position, beginning of year	23,695,806
<hr/>	
Net position, end of year	\$ 24,217,754
<hr/>	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2015

	Board of Education of Caroline County	Board of Library Trustees of Caroline County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 13,371,962	\$ 235,943	\$ 13,607,905
Accounts receivable	678,926	88,301	767,227
Prepaid expenses	7,041	60,195	67,236
Inventories	47,534	-	47,534
Due from other governments	1,499,760	-	1,499,760
Restricted assets:			
Cash and cash equivalents	-	528,942	528,942
Nondepreciable assets	12,393,113	-	12,393,113
Depreciable assets, net	74,543,209	890,212	75,433,421
<b>Total assets</b>	<b>102,541,545</b>	<b>1,803,593</b>	<b>104,345,138</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	480,850	-	480,850
<b>LIABILITIES:</b>			
Accounts payable	454,633	34,541	489,174
Accrued expenses	7,625,753	33,443	7,659,196
Unearned revenue	668,833	-	668,833
Accrued compensated absences	-	19,931	19,931
Long-term liabilities:			
Net pension liability	3,202,423	-	3,202,423
Due within one year	948,558	-	948,558
Due in more than one year	37,453,872	-	37,453,872
<b>Total liabilities</b>	<b>50,354,072</b>	<b>87,915</b>	<b>50,441,987</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	350,526	-	350,526
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	82,327,360	890,212	83,217,572
Restricted for:			
Fund purposes	-	78,444	78,444
Unrestricted (deficit)	(30,009,563)	747,022	(29,262,541)
<b>Total net position</b>	<b>\$ 52,317,797</b>	<b>\$ 1,715,678</b>	<b>\$ 54,033,475</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS

YEAR ENDED June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education of Caroline County	Board of Library Trustees of Caroline County	Total Net Expense/Revenue
<b>COMPONENT UNITS:</b>							
Board of Education of Caroline County	\$ 82,103,391	\$ 4,269,458	\$ 10,197,122	\$ 9,286,138	\$ (58,350,673)	\$ -	\$ (58,350,673)
Board of Library Trustees of Caroline County	1,714,312	35,843	221,879	-	-	(1,456,590)	(1,456,590)
<b>Total component units</b>	<b>\$ 83,817,703</b>	<b>\$ 4,305,301</b>	<b>\$ 10,419,001</b>	<b>\$ 9,286,138</b>	<b>(58,350,673)</b>	<b>(1,456,590)</b>	<b>(59,807,263)</b>
<b>General revenues:</b>							
County appropriations					13,437,486	1,135,477	14,572,963
State appropriations					47,398,863	407,071	47,805,934
Interest and investment earnings					3,754	436	4,190
Miscellaneous					239,305	17,264	256,569
<b>Total general revenue</b>					<b>61,079,408</b>	<b>1,560,248</b>	<b>62,639,656</b>
Change in net position					2,728,735	103,658	2,832,393
Net position - beginning, as restated					49,589,062	1,612,020	51,201,082
Net position - ending					\$ 52,317,797	\$ 1,715,678	\$ 54,033,475

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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). 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

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

**B. Basic Financial Statements**

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

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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. The SHS Medical Transportation Fund is considered a major fund. All other Special Revenue Funds of the County are non-major funds.
- 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:

**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 County has elected to report the Basic Life Support Fund as a major fund and is presented separately. All other enterprise funds are non-major, and their data is combined into a single aggregated presentation.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

**Fiduciary Funds:** Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. 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 state property tax, town property tax, DMV tag sales, hotel rental tax, tax sale proceeds, inmates' funds, confiscated properties, Bay Restoration funds, public drainage associations and home builder guaranty.

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.

**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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

Measurement Focus

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

In the 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 unearned revenue.

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 unearned 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 inflows of resources – unavailable revenue.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

**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.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

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

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

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

<u>Caroline County Government</u>	
Infrastructure	7 - 40 years
Buildings	40 years
Improvements	10 - 30 years
Machinery and equipment	5 - 10 years
Vehicles	5 years
General capital assets	10 - 40 years
<u>The Board of Education</u>	
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 12 years
Software	5 years
<u>The Library</u>	
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.

**Deferred Outflows / Inflows of Resources:** In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense / expenditure) until then. The County and Board recognize deferred outflow of resources related to its pension obligation (see Note 8) for changes in assumptions and contributions subsequent to the measurement date. These amounts deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The County and Board also recognize deferred inflow of resources related to its pension obligation (see Note 8) for the net difference between projected and actual investment earnings on pension plan investments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

**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.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

The specific purpose for fund balance classified as restricted, committed, or assigned are as follows:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Capital Improvements	\$ -	\$ 6,287,997	\$ -
4-H Park	-	-	20,233
Special Grants Fund	4,341	-	-
OJP Grants Law Enforcement	1,349	-	-
Revolving Loan Fund	211,432	-	-
MEAF Revolving Loan	154,176	-	-
Local Agricultural Land Preservation	-	33,250	-
State Agricultural Land Preservation	-	13,412	-
Summerfest	-	-	5,375
Commissary Account	6,593	-	-
Law Library	15,945	-	-
Critical Area Forestry	-	25,976	-
Forest Conservation	-	24,533	-
Business and Tech Park	-	-	64,805
Health Department	-	-	521,539
Drug Task Force	109,889	-	-
Dayspring Townhomes	684,161	-	-
Educational Facilities - Capital Projects	-	174,331	-
Budget Appropriation for 2016	-	-	600,000
<b>Total</b>	<b>\$ 1,187,886</b>	<b>\$ 6,559,499</b>	<b>\$ 1,211,952</b>

**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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

**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.

**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.

**Note 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.

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, 2015.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 3. Cash Deposits and Investments**

**Primary Government**

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

**Cash Deposits:** At year-end, the carrying amount of the County's deposits was \$1,755,640 and the bank balance was \$2,251,214, 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	\$ 13,648,416

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP.

A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net position. 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, 2015, 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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

**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	\$ 785,303
Less than 1 year	864,328
1-5 years	3,530,689
5-10 years	4,067,308
10-15 years	9,312
15-20+ years	166,366
Total	\$ 9,423,306

**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, 2015 was \$0 and \$0 for the Employees' Pension Plan and the OPEB Trust, respectively.

**Component Units**

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$3,042,334 and the bank balance was \$4,068,141. 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 \$79,835 and the bank balance was \$90,728, all of which was covered by Federal depository insurance.

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 10,329,628

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 685,050

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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 .32% service and administrative fee. Properties with delinquent taxes are sold at public auction in June of each year.

**Note 5. Interfund transactions**

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable	Net Receivable (Payable)
<b><u>Governmental Funds:</u></b>			
General Fund	\$ 122,062	\$ 883,473	\$ (761,411)
Capital Improvements	883,472	-	883,472
Other Governmental Funds	-	122,364	(122,364)
<b>Total Governmental Funds</b>	<b>1,005,534</b>	<b>1,005,837</b>	<b>(303)</b>
<b><u>Proprietary Funds:</u></b>			
Basic Life Support	-	-	-
Other Proprietary Funds	303	-	303
<b>Total Proprietary Funds</b>	<b>303</b>	<b>-</b>	<b>303</b>
<b>Total</b>	<b>\$ 1,005,837</b>	<b>\$ 1,005,837</b>	<b>\$ -</b>

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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, 2015, 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, 2015 is as follows:

	Transfers In	Transfers Out	Net In (Out)
<b><u>Governmental Funds:</u></b>			
General Fund	\$ 838,944	\$ 1,930,280	\$ (1,091,336)
Capital Improvements	1,860,848	-	1,860,848
Other Governmental Funds	69,432	60,000	9,432
<b>Total Governmental Funds</b>	<b>2,769,224</b>	<b>1,990,280</b>	<b>778,944</b>
<b><u>Proprietary Funds:</u></b>			
Basic Life Support	-	777,244	(777,244)
Other Proprietary Funds	-	1,700	(1,700)
<b>Total Proprietary Funds</b>	<b>-</b>	<b>778,944</b>	<b>(778,944)</b>
<b>Total</b>	<b>\$ 2,769,224</b>	<b>\$ 2,769,224</b>	<b>\$ -</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 6. Capital assets**

Caroline County

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Land	\$ 12,934,062	\$ -	\$ -	\$ 12,934,062
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	364,642	1,430,210	(1,010,812)	784,040
<b>Total capital assets, not depreciated</b>	<b>30,351,678</b>	<b>1,430,210</b>	<b>(1,010,812)</b>	<b>30,771,076</b>
Capital assets, depreciated:				
Infrastructure	26,143,758	857,967	-	27,001,725
Buildings	28,242,863	22,800	997,105	29,262,768
Utilities	1,523,324	-	-	1,523,324
Improvements	9,574,415	344,488	(33,236)	9,885,667
Machinery and equipment	14,549,504	504,214	(276,529)	14,777,189
<b>Total capital assets, depreciated</b>	<b>80,033,864</b>	<b>1,729,469</b>	<b>687,340</b>	<b>82,450,673</b>
Less: accumulated depreciation for:				
Infrastructure	(18,600,742)	(742,346)	-	(19,343,088)
Buildings	(17,486,351)	(802,374)	-	(18,288,725)
Utilities	(17,772)	(30,466)	-	(48,238)
Improvements	(5,548,614)	(418,788)	46,944	(5,920,458)
Machinery and equipment	(11,436,782)	(852,982)	250,739	(12,039,025)
<b>Total accumulated depreciation</b>	<b>(53,090,261)</b>	<b>(2,846,956)</b>	<b>297,683</b>	<b>(55,639,534)</b>
<b>Total capital assets, depreciated, net</b>	<b>26,943,603</b>	<b>(1,117,487)</b>	<b>985,023</b>	<b>26,811,139</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 57,295,281</b>	<b>\$ 312,723</b>	<b>\$ (25,789)</b>	<b>\$ 57,582,215</b>
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Construction in progress	\$ -	\$ 69,810	\$ -	\$ 69,810
Capital assets, depreciated:				
Building and improvements	512,294	-	-	512,294
Less: accumulated depreciation for:				
Buildings and improvements	(272,253)	(52,491)	-	(324,744)
<b>Total capital assets, depreciated, net</b>	<b>240,041</b>	<b>(52,491)</b>	<b>-</b>	<b>187,550</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 240,041</b>	<b>\$ 17,319</b>	<b>\$ -</b>	<b>\$ 257,360</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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	\$	717,341
Public safety		797,187
Public works		989,791
Recreation and culture		296,754
Conservation of natural resources		45,883

---

Total depreciation expense - Governmental Activities	\$	2,846,956
--	----	-----------

---

---

**Business-type Activities:**

Broadband supply	\$	50,501
Public works		1,990

---

	\$	52,491
--	----	--------

---

---

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 6. Capital assets (continued)**

**Board of Education**

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets, not depreciated:				
Construction in progress	\$ 1,917,476	\$ 10,309,550	\$ (16,000)	\$ 12,211,026
Land	182,087	-	-	182,087
<b>Total capital assets, not depreciated</b>	<b>2,099,563</b>	<b>10,309,550</b>	<b>(16,000)</b>	<b>12,393,113</b>
Capital assets, depreciated:				
Buildings and improvements	106,462,013	210,340	16,000	106,688,353
Furniture and equipment	1,737,507	37,424	-	1,774,931
Software	658,357	17,160	-	675,517
Vehicles	1,775,744	393,206	(74,102)	2,094,848
<b>Total capital assets, depreciated</b>	<b>110,633,621</b>	<b>658,130</b>	<b>(58,102)</b>	<b>111,233,649</b>
Less: accumulated depreciation for:				
Buildings and improvements	(31,537,709)	(2,203,647)	-	(33,741,356)
Furniture and equipment	(1,072,490)	(64,722)	-	(1,137,212)
Software	(609,258)	(21,114)	-	(630,372)
Vehicles	(1,160,233)	(173,802)	20,547	(1,313,488)
<b>Total accumulated depreciation</b>	<b>(34,379,690)</b>	<b>(2,463,285)</b>	<b>20,547</b>	<b>(36,822,428)</b>
<b>Total capital assets, depreciated, net</b>	<b>76,253,931</b>	<b>(1,805,155)</b>	<b>(37,555)</b>	<b>74,411,221</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 78,353,494</b>	<b>\$ 8,504,395</b>	<b>\$ (53,555)</b>	<b>\$ 86,804,334</b>
<u>Business-type activities:</u>				
Equipment	\$ 953,657	\$ -	\$ -	\$ 953,657
Software	27,122	-	-	27,122
Vehicles	55,670	-	-	55,670
<b>Total capital assets being depreciated</b>	<b>1,036,449</b>	<b>-</b>	<b>-</b>	<b>1,036,449</b>
Less: accumulated depreciation:				
Equipment	(813,257)	(22,676)	-	(835,933)
Software	(27,121)	(1)	-	(27,122)
Vehicles	(37,330)	(4,076)	-	(41,406)
<b>Total accumulated depreciation</b>	<b>(877,708)</b>	<b>(26,753)</b>	<b>-</b>	<b>(904,461)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 158,741</b>	<b>\$ (26,753)</b>	<b>\$ -</b>	<b>\$ 131,988</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 6. Capital assets (continued)**

Depreciation expense for the fiscal year ended June 30, 2015 was charged to governmental functions as follows:

Administration	\$	68,824
School management and support		25,457
Other instructional costs		2,208,691
Pupil transportation		103,556
Maintenance of plant		56,757
<hr/>		
<b>Total depreciation expense</b>	<b>\$</b>	<b>2,463,285</b>

**Library**

Capital asset activity for the Library for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets:</b>				
Furnishings and equipment	\$ 722,829	\$ 34,032	\$ -	\$ 756,861
Vehicles	29,899	-	-	29,899
Leasehold improvements	351,953	130,010	-	481,963
Books and materials	945,735	95,163	(182,291)	858,607
<hr/>				
	2,050,416	259,205	(182,291)	2,127,330
<hr/>				
<b>Accumulated depreciation:</b>				
Furnishings and equipment	(605,684)	(36,458)	-	(642,142)
Vehicles	(29,899)	-	-	(29,899)
Leasehold improvements	(70,778)	(14,487)	-	(85,265)
Books and materials	(533,221)	(128,882)	182,291	(479,812)
<hr/>				
	(1,239,582)	(179,827)	182,291	(1,237,118)
<hr/>				
<b>Net capital assets</b>	<b>\$ 810,834</b>	<b>\$ 79,378</b>	<b>\$ -</b>	<b>\$ 890,212</b>

Governmental activities depreciation expense was \$179,827 for the fiscal year ended June 30, 2015.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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, 2015:

	Balance July 01, 2014	Additions	Retirements and Repayments	Balance June 30, 2015	Current Portion
<b><u>Governmental activities:</u></b>					
Bonds and loans	\$ 30,796,748	\$ 7,300,000	\$ 2,600,184	\$ 35,496,564	\$ 2,772,629
Unpaid vacation and sick pay benefits	1,306,969	55,699	118,734	1,243,934	895,000
Accrued landfill liability	2,338,275	-	106,356	2,231,919	-
Dayspring Townhomes	2,530,583	-	-	2,530,583	-
	<b>\$ 36,972,575</b>	<b>\$ 7,355,699</b>	<b>\$ 2,825,274</b>	<b>\$ 41,503,000</b>	<b>\$ 3,667,629</b>

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

General long-term debt for governmental activities at June 30, 2015 is composed of the following issues:

Description	Interest Rates	Date Issued	Date Series Matures	Original Issue	Outstanding
<b>General bonded debt:</b>					
2006 Public Improvement Bond	3.75-4.0%	2006	2022	\$ 12,475,000	\$ 6,720,000
2008 Public Improvement Bond	3.50-4.50%	2008	2028	5,600,000	4,110,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	4,845,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	6,920,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	815,000
2014 Public Improvement Bond	2.5-3.125%	2015	2035	7,205,000	7,205,000
Jonestown Bond	2.375%	2015	2054	95,000	93,915
<b>State loans:</b>					
Midshore Business & Tech. Park	0.000%	2007	-	3,057,529	3,057,529
<b>Capital projects loans:</b>					
Chesapeake College project of 2014	2.0-4.0%	2014	2034	1,520,000	1,466,708
Chesapeake College	5.506%	2000	2020	535,000	185,000
Chesapeake College	3.500%	2003	2023	155,000	78,412
				<u>\$ 49,863,529</u>	<u>\$ 35,496,564</u>
<b>Other components:</b>					
Long-term portion of unpaid vacation and sick pay benefits					1,243,934
Accrued landfill liability					2,231,919
Long-term obligations of Dayspring Townhomes					2,530,583
				<u>\$ 41,503,000</u>	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The annual requirements to amortize all general bonded debt and loans (excludes Midshore Business & Tech Park) at June 30, 2015 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u> <u>Requirement</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 2,772,629	\$ 1,111,188	\$ 3,883,817
2017	2,270,100	1,156,157	3,426,257
2018	2,337,968	1,073,908	3,411,876
2019	2,360,837	983,952	3,344,789
2020	2,463,706	897,268	3,360,974
2021-2025	9,876,354	3,177,373	13,053,727
2026-2030	7,104,410	1,480,162	8,584,572
2031-2035	3,056,290	339,042	3,395,332
<u>2036 and thereafter</u>	<u>196,741</u>	<u>24,943</u>	<u>221,684</u>
	<u>\$ 32,439,035</u>	<u>\$ 10,243,993</u>	<u>\$ 42,683,028</u>

The County received loans from the Department of Housing and Community Development, a state agency, which were used by an agent to construct housing for low-income families (the Dayspring Townhomes project). Development, construction and equipping of the project was financed in part by a long-term mortgage in the amount of \$2,530,583 (as of June 30, 2015) 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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

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

On December 22, 2009, the County issued its “Public Improvements Bonds of 2009”, which are taxable Build America Bonds. These bonds provide for a 33 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 \$1,280,529 through the fiscal year ended June 30, 2030.

**Board of Education**

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

**Note 8. Retirement Plans**

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

<u>Employees</u>	<u>Plan</u>
Board of Education	Maryland State Retirement and Pension System
Library	Maryland State Retirement and Pension System
Caroline County:	
Elected officials	Maryland State Retirement and Pension System
Election officials	Maryland State Retirement and Pension System
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

**Caroline County, Maryland Employees’ Pension Plan**

**Organization**

The Plan, which is a single-employer, defined benefit 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 103 Gay Street, Suite 1, in Denton, Maryland. The plan does not issue a separate, audited GAAP-basis pension plan report.

*Administration:* Per the Caroline County, Maryland Employees’ Pension Plan documents, the Retirement Plan Committee (“Committee”) function as the investment and administrative agent for the County with respect to the single-employer defined benefit plan. There are 5 Committee members: the County Administrator, Director of Human Resources, Comptroller, Director of Finance and a member of the Employee Advisory Board selected by the Employee Advisory Board. The County Council has the authority to establish and amend benefits.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Summary of Significant Plan Provisions**

*Effective date:* July 1, 1969. Last restated July 1, 2013.

*Eligible individual:* Any person scheduled to work at least 32 hours per week who is 1) an employee of the County Commissioners of Caroline County, Maryland, 2) a permanent employee in a State-authorized exempt position, or 3) an employee of the Sheriff's Office who is not a participant in the Law Enforcement Officers Pension System.

*Participation:* Each eligible employee automatically becomes a participant of the Plan as of the date of employment. Appointed Officials who are appointed on or after July 1, 2013 who are not participants prior to their appointment are not eligible to participate in the Plan. Contracted employees are not eligible to participate in the Plan. The following table summarizes the membership of the system as of July 1, 2014, the valuation date:

Inactive plan members (or their beneficiaries) currently receiving benefits	76
Inactive plan members entitled to but not yet receiving benefits	19
Active plan members	166
<hr/>	
Total	261
<hr/>	

*Compensation:* The monthly equivalent of the Participant's base annual salary rate or wages in effect on the first day of the month (adjusted as necessary for part-time employment). Compensation is determined without regard to overtime, bonuses, shift differentials, additional holiday pay, allowances and other extra remuneration, amounts in excess of applicable dollar limit as defined in section 401(a)(17), contributions, credits, or benefits under this Plan or under any other retirement, deferred compensation, fringe benefit or employee welfare plan, and direct reimbursements for expenses. Compensation shall include salary reductions under Section 414(h)(2) or 125 of the Code.

*Employee contributions:* Effective for the first pay period beginning on or after July 1, 2013 and for each pay period thereafter, each participant (other than Orphans' Court Judge) shall make contributions to the plan in the amount of: 1) Participants hired on or after July 1, 2013 will contribute 5 percent of the participants per pay compensation minus \$385. 2) Participants hired before July 1, 2013 will contribute 0.5 percent for 2014 and increase half a percent per year up to 5 percent for 2023, of the participant's per pay compensation minus \$385. Interest is credited on June 30 of each year and compounded annually. Interest equals 2.5% of the amount contributed during the plan year plus 5.0% of any amount contributed or transferred prior to the current plan year. Contributions made to the Plan are fully vested at all times. Terminated participants may elect, at any time, to receive a cash-out of their employee contributions. In the event of a cash-out the participant shall forfeit the entire remaining portion of their accrued benefit.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

*Final average earnings:* For benefit commencement dates before July 1, 2015, the Participant's Compensation received during the 36 consecutive calendar months prior to or including the Participant's termination of employment which produces the highest average when divided by 3. If the Participant has fewer than 36 completed calendar months of employment, the average Participant's Compensation will be the sum of Compensation for all completed calendar months divided by the amount of completed calendar months.

For benefit commencement dates on or after July 1, 2015, the Participant's Compensation received during the 60 consecutive calendar months which produces the highest average when divided by 5. If the Participant has fewer than 60 completed calendar months of employments, the average Participant's Compensation will be the sum of Compensation for all completed calendar months divided by the amount of completed calendar months.

*Continuous Service:* The uninterrupted period of service as an Employee commencing with the Participant's most recent date of employment. An Employee (other than an Orphan's Court Judge) shall not be credited with service in any calendar year during which the Employee served as a part-time Employee (scheduled to work less than 32 hours per week). Partial years of service shall be measured in months rounded to the next higher month.

*Credit Service:* The number of years and months of Continuous Service and Reinstated Service, plus the number of years and months of United States Military service, up to a maximum of 3 years military service.

*Years of Eligibility Service:* The Employee's years of Continuous Service and Reinstated Service, plus the number of years and months of United States military service, up to a maximum of 3 years of military service.

*Vesting percentage:* 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). Orphan's Court Judges vesting percentage is 100% after 5 years of eligibility service. A participant shall be 100% vested upon attainment of normal retirement age if employed with the employer on that date. In no event shall the vesting percentage for an eligible individual who was employed by the employer on June 30, 2013, be less than determined under the provisions of the prior plan.

*Normal retirement benefit:* Police and public safety employees are eligible for normal retirement upon the completion of:

Date of hire prior to July 1, 2013

- Age 62 with 5 years of eligibility service
- 25 years of eligibility service

Date of hire on or after July 1, 2013

- Age 62 with 5 years of eligibility service
- Age 55 with 25 years of eligibility service

Orphan's court judges are eligible upon the attainment of age 65.

All other employees are eligible for normal retirement upon the completion of:

Date of hire prior to July 1, 2013

- Age 62 with 5 years of eligibility service
- 30 years of eligibility service

Date of hire on or after July 1, 2013

- Age 65 with 5 years of eligibility service
- Age 60 with 30 years of eligibility service

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

All participants become 100% vested in their accrued benefit upon attainment of normal retirement age if employed with the employer on that date.

**Benefit** – The Normal Retirement Benefit for a participant whose Normal Retirement Date occurs before July 1, 2016 is 1.60% of the Participant's Final Average Earnings multiplied by the Participant's Credited Service. For Orphans' Court Judges the monthly benefit is \$5 multiplied by the Participant's Credited Service up to a maximum of \$100 per month.

The Normal Retirement Benefit for a participant whose Normal Retirement Date occurs on or after July 1, 2016 is 1.60% of the Participant's Final Average Earnings multiplied by the Participant's Credited Service up to 30 years plus 1.0% of the Participants final Average Earnings multiplied by the Participant's Credited Service in Excess of 30 years. For Orphans' Court Judges the monthly benefit is \$5 multiplied by the Participant's credited Service up to a maximum of \$100 per month.

*Early retirement benefit:* Police and public safety employees are eligible for early retirement upon the completion of:

- Date of hire prior to July 1, 2013
  - Age 50 with 20 years of eligibility service
- Date of hire on or after July 1, 2013
  - 25 years of eligibility service

All other employees are eligible for early retirement upon the completion of:

- Date of hire prior to July 1, 2013
  - Age 60 with 10 years of eligibility service
  - Age 55 with 20 years of eligibility service
- Date of hire on or after July 1, 2013
  - 30 years of eligibility service

**Benefit** – The Early Retirement Benefit is calculated using the Normal Retirement benefit formula with Service and Final Average Earnings as of the Participant's date of termination with the Employer. The benefit will be reduced 1/30<sup>th</sup> for each year the Participant's Benefit Commencement Date precedes their Normal Retirement Date. The reduction for partial years shall be a straight line interpolation.

*Disability Retirement Benefit:* There is no Disability Retirement Pension under the Plan. A Participant will be 100% vested in their Accrued Pension Benefit when the Plan Administrator determines the Participant is unable to perform his/her duties by reason of disability.

*Vested Pension: Eligibility* –A Participant who terminates employment for reasons other than death or disability after completing 5 or more Years of Vesting Service is eligible to receive a benefit at age 65. Any Participant of the Plan who ceases to be an Eligible Individual for reasons other than death prior to becoming eligible for a Normal Retirement Pension or an Early Retirement Pension, and who is ineligible to receive a Deferred Vested Retirement Pensions will be ineligible to receive a benefit from the plan, other than a withdrawal of the Participant's Employee Contributions Benefit.

**Benefit** –The Benefit is the calculated using the Normal Retirement benefit formula with Service and Final Average Earnings as of the Participant's date of termination with the Employer. The benefit will be reduced 1/30<sup>th</sup> for each year the Participant's Benefit Commencement Date precedes age 65. The reduction for partial years shall be a straight line interpolation.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

*Pre-Retirement Death Benefit:* Eligibility –The Beneficiary of a Participant who dies prior to their Benefit Commencement Date is entitled to a death benefit.

**Benefit** – The Benefit is equal to the present value of the Participant’s Accrued Benefit determined as of the Participant’s Date of Death. The benefit is payable in a lump sum but the Beneficiary has the right to elect the benefit be paid in any of the optional forms of benefit.

*Normal Form of Payment:* For Orphans’ Court Judges, the normal form of Pension Benefit is payable monthly for the life of the Participant and continuing through the month in which the participant dies with the guarantee that no less than 120 monthly payments shall be made.

For other participants, the normal form of Pension Benefit is payable for the life of the participant if the participant is single. For participants hired prior to July 1, 2013, the benefit is paid in the form of a 100% Joint and Survivor without actuarial adjustment for survivorship for participants who are married.

*Changes in Plan Provisions:* None.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial</b>	<b>Individual Entry Age Normal</b>
<b>Amortization Method</b>	<b>Level Percentage of Payroll, Closed</b>
<b>Remaining Amortization Period</b>	<b>20 years</b>
<b>Asset Valuation Method</b>	<b>4-year smoothed market</b>
<b>Inflation</b>	<b>2.50%</b>
<b>Salary Increases</b>	<b>3.50% including inflation</b>
<b>Investment Rate of Return</b>	<b>7.25%, net of pension plan investment expense, including inflation</b>
<b>Retirement Age</b>	<b>Rates vary by participant age and service</b>
<b>Mortality</b>	<b>RP-2000 Combined Healthy tables with generational projection by Scale AA</b>
<b>Note</b>	<b>No change in assumptions and cost methods</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Investments**

*Investment Performance:* The average investment return for the fund on a market basis for the year ended June 30, 2014 was 15.43%.

The plan utilizes an actuarial averaging method to smooth out swings in investment performance and thus in asset values from year to year. Under the method, investment gains or losses above or below the 7.25% actuarial assumption are phased in over a four year period. The average investment return on an actuarial value basis for the year ended June 30, 2014 was 10.57%.

*Experience analysis:* The following factor had the most material effect on the required contribution as a percentage of payroll:

The rate of return on the actuarial value of assets of 10.57% was more than the expected rate of 7.25% for the plan year ended June 30, 2014. This gain decreased costs.

*Valuation of Assets:* Beginning on July 1, 2000, adjusted market value of assets at the valuation date is used. The adjusted market value is calculated by first calculating the actuarial gain/loss due to investments for the year. This gain/loss is recognized over a four-year period, beginning in the year it occurred. In the first year the adjusted market value is market less  $\frac{1}{2}$  of the prior year's gain/loss, less  $\frac{3}{4}$  of the current year's gain/loss etc., until each gain/loss is fully recognized. Maximum deferred gain or loss is 20% of market value.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of June 30, 2015 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities - Domestic	49%	7.65%
Equities - International	16%	7.65%
Fixed income - Bonds	34%	1.85%
Fixed income - Cash	1%	0.50%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates determined by the funding policy, a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

**Sensitivity of the Net Pension Liability**

Sensitivity of the net pension liability to changes in the discount rate is as follows:

	1% Decrease to 6.25%	Current Discount Rate 7.25%	1% Increase to 8.25%
Net pension liability	\$ 8,337,988	\$ 5,163,217	\$ 2,518,999

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

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

The change in the net pension liability, are as follows:

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
June 30, 2014	\$ 22,778,268	\$ 16,386,194	\$ 6,392,074
Changes for the year:			
Service cost	539,462	-	539,462
Interest	1,601,310	-	1,601,310
Changes of benefit terms	(499,533)	-	(499,533)
Differences between expected and actual experience	-	-	-
Changes of assumptions	729,440	-	729,440
Contributions - employer	-	1,091,000	(1,091,000)
Contributions - member	-	35,137	(35,137)
Net investment income	-	2,505,358	(2,505,358)
Benefit payments, including refunds of member contributions	(1,382,453)	(1,382,453)	-
Administrative expense	-	(31,959)	31,959
Other	-	-	-
<b>Net Changes</b>	<b>988,226</b>	<b>2,217,083</b>	<b>(1,228,857)</b>
June 30, 2015	\$ 23,766,494	\$ 18,603,277	\$ 5,163,217

Plan fiduciary net position as a percentage of the total pension liability 78.28%

The components of pension expense, are as follows:

Description	Amount
The change in:	
Deferred outflows of resources	\$ (696,471)
Deferred inflows of resources	1,062,247
Net pension liability	(1,228,857)
Current year contributions	1,197,374
<b>Total pension expense</b>	<b>\$ 334,293</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

The County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	625,234	-
Net difference between projected and actual earnings on pension plan investments	-	1,062,247
Year end June 30, 2015 contributions	1,197,374	-
<b>Total</b>	<b>\$ 1,822,608</b>	<b>\$ 1,062,247</b>

The \$1,197,374 of deferred outflows of resources resulting from the County's contributions to the Caroline County, Maryland Employees' Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (161,356)
2017	(161,356)
2018	(161,356)
2019	(161,355)
2020	104,206
Thereafter	104,204
<b>Total</b>	<b>\$ (437,013)</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

Maryland State Retirement and Pension Systems

**Organization**

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15 member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool”. The State Pool consists of State agencies, board of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at [www.sra.maryland.gov](http://www.sra.maryland.gov).

The System is comprised of the Teachers’ Retirement and Pension Systems, Employees’ Retirement and Pension Systems, State Police Retirement System, Judges’ Retirement System, and the Law Enforcement Officers’ Pension System (LEOPS).

The following groups of employees participate in:

<u>Employees</u>	<u>Plan</u>
Board of Education – regular employees	Employees System
Board of Education – teachers	Teachers System
Library	Teachers System
Caroline County:	
Elected officials	Employees System
Election officials	Employees System
Sheriff’s Deputies	LEOPS
Certain retired personnel	Employees System

The System is a cost sharing multiple-employer defined benefit pension plans.

**Basis of Accounting**

The System’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Covered Members**

**Teachers' Retirement and Pension Systems**

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

**Employees' Retirement and Pension Systems**

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental unites hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

**The Law Enforcement Officers' pension System (LEOPS)**

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

**Summary of Significant Plan Provisions**

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' AFC and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension Systems from 5% to 7% and from 4% to 6% respectively, in fiscal year 2013 and 7% in the fiscal year 2014 and beyond for members of the Law Enforcement Officers' Pension System. Beginning July 1, 2013, the member contribution rate was increased for members of the Judges' Retirement System from 6% to 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2014 are as follows:

**Service Retirement Allowances**

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

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

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

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for those members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals  $1/50$  (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus  $1/100$  (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

**Vested Allowances**

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

**Early Service Retirement**

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Disability and Death Benefits**

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

**Adjusted Retirement Allowances**

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

Effective July 1, 1998, for Teachers', Employees', and LEOPS retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increase to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system, 25 years for LEOPS Muni, and 32 years for CORS Muni as of June 30, 2014. For ECS Muni, 6 years remaining as of June 30, 2014 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.90% general, 3.40% wage
Salary Increases	3.40% to 11.90% including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025
Note	There were no benefit changes during the year. Adjustments to the roll-for-ward liabilities were made to reflect the following assumptions changes in the 2014 valuation: Investment return assumption changed from 7.70% to 7.65% Inflation assumption changed from 2.95% to 2.90%; Disability mortality assumption for State Police and LEOPS changed to: RP-2000 Disabled Mortality: 50% table for males and 75% for females, but not less than the RP-2000 Combined Healthy Mortality table projected to year 2025

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Investments**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
<b>Total</b>	<b>100%</b>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

**Discount rate**

A single discount rate of 7.65% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.65%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

System	1% Decrease to 6.65%	Current Discount	1% Increase to 8.65%
County	\$ 4,623,117	\$ 3,207,990	\$ 2,022,642
Board	4,615,095	3,202,423	2,019,132

**Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems**

**Employer Contributions:**

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher. The related payment for fiscal year ending 2015 was \$1,287,413.

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

Because the State of Maryland pays the unfunded liability for the Teachers' Systems on behalf of the Board and Library, and the Board pays the normal cost for the Teachers' Systems, the Board and Library are not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

At June 30, 2015, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

Board's proportionate share of the net pension liability (Employees' Systems)	\$ 3,202,423
State's proportionate share of the net pension liability (Teachers' System)	32,296,888
Total	\$ 35,499,311

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was calculated as follows by the System(s):

1. Calculate the net pension liability for the entire System. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland (the State) and one for the Participating Governmental Units ("PGUs"). These pools are kept on an actuarial basis and allow for the State to fund only State employees and PGUs to fund only PGU employees. For the accounting of the System, however, the assets of the System are accounted in a single pool which is audited annually.
2. Determined the total contributions to the System by the State and PGUs, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.
5. Provide each PGU its adjusted percentage of contribution and the System's net pension liability and other related amounts.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

At June 30, 2015, the County reported the following related to pensions:

	<u>Board</u>	<u>County</u>
Employer's proportionate (percentage) of the collective net pension liability	0.0180151%	0.0180765%
Employer's proportionate share of the collective net pension liability	\$ 3,202,423	\$ 3,207,990
Pension expense recognized by the employer for the year ended June 30, 2015	\$ 434,525	\$ 423,055
Change in NPL factored for contributions	\$ 92,253	\$ 92,414
Deferred inflows of resources:		
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	(350,526)	(351,135)
Change in assumptions	-	-
<u>Total deferred inflows of resources</u>	<u>\$ (350,526)</u>	<u>\$ (351,135)</u>
Deferred outflows of resources:		
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	46,325	46,407
Year end June 30, 2015 contributions	434,525	423,055
<u>Total deferred outflows of resources</u>	<u>\$ 480,850</u>	<u>\$ 469,462</u>
NPL June 30, 2014	\$ 3,533,104	\$ 3,536,824
Year end June 30, 2014 contributions	(422,934)	(421,248)
Change in NPL factored for contributions	92,253	92,414
<u>NPL June 30, 2015</u>	<u>\$ 3,202,423</u>	<u>\$ 3,207,990</u>

The \$434,525 and \$423,055 of deferred outflows of resources resulting from the Board and County's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources will be amortized over a five year period.

	Total Payroll	Covered Payroll	On-Behalf By State
County-MD retirement and pension	\$ 10,858,627	\$ 1,362,323	\$ -
Board of Education	36,690,103	33,545,377	4,305,046
Library	803,194	666,072	137,154

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 8. Retirement Plans (continued)**

Covered payroll refers to all compensation paid to active employees covered by the Systems.

Pension contributions made by the State of Maryland, on behalf of 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 \$58,838 for the year ended June 30, 2015.

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 \$18,173 to this plan for the year ended June 30, 2015.

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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, 2013, the date of the last actuarial valuation, approximately 41 retirees and their beneficiaries were receiving benefits, and an estimated 168 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, 2015, the County paid for coverage at a total cost of \$170,358. The County made \$69,430 in contributions to the Trust during the year ended June 30, 2015.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 9. Other postemployment benefits (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)	\$	164,000
NOO amortization		186,000
Interest on NOO		(151,000)
<hr/>		
Annual OPEB cost		199,000
Contributions - pay as you go		(170,358)
Contributions - trust		(69,430)
<hr/>		
Increase in net OPEB prepaid		(40,788)
Net OPEB obligation/(prepaid) at beginning of year		(2,136,152)
<hr/>		
Net OPEB obligation/(prepaid) at end of year	\$	(2,176,940)

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation/ (Prepaid)</u>
June 30, 2013	\$ 543,000	\$ 82,031	15.11%	\$ (2,086,362)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)
June 30, 2015	\$ 199,000	\$ 239,788	120.50%	\$ (2,176,940)

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$4,503,000, and the actuarial value of assets was \$4,363,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$140,000. The covered payroll (annual payroll of active employees covered by the plan) was \$6,962,170, and the ratio of the UAAL to the covered payroll was 2.01 percent.

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 9. Other postemployment benefits (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, 2013 actuarial valuation, the actuarial cost method used was the projected unit credit. The actuarial assumptions included a 7.0 percent discount rate, 0.0 percent payroll increase and the medical trend rate is 8.0 percent initially decreasing gradually to an ultimate rate of 5.0 percent in 2050. Assets are valued at market value. The UAAL is being amortized over a closed period of 21 years from July 1, 2015.

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 July 1, 2014, the census date of the last actuarial valuation, approximately 349 retirees and their beneficiaries were receiving benefits, and an estimated 684 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 all employees who are under 65 years old and hired after July 1, 2013 with fifteen years of service in Caroline County; teachers who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1977 with five years of service in Caroline County; and classified employees who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1981 with five years service in Caroline County. At age 65, eligible retirees with at least fifteen 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, 2015, the Board paid for coverage of 359 retirees at a total cost to the Board of \$1,991,167.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

Funding Policy (continued)

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 or calling (410) 841-5414.

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.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefits (OPEB) cost is calculated based on the Annual Required Contribution (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 \$27,643,426. The Board pays post retirement medical benefits (normal cost) from the General Fund, not from the Trust.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

Annual OPEB Cost and Net OPEB Obligation (continued)

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)	\$	7,059,000
Adjustment to annual required contribution		(1,226,000)
Interest on net OPEB obligation		1,071,000
Annual OPEB cost		6,904,000
Payments to retirees from general fund		(1,991,167)
Increase in net OPEB obligation		4,912,833
Net OPEB obligation at beginning of year		27,643,426
Net OPEB obligation at end of year	\$	32,556,259

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
2013	\$ 6,425,000	31.29%	\$ 22,190,553
2014	\$ 6,815,000	19.99%	\$ 27,643,426
2015	\$ 6,904,000	28.84%	\$ 32,556,259

Funding Status and Funding Progress

As of July 1, 2014 the actuarial accrued liability (AAL) for benefits was \$80.2 million with \$899,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$79.3 million. The annual payroll of active employees covered by the Plan was \$34 million and the ratio of the UAAL to covered payroll was 236.29%. As of June 30, 2015, there were \$899 thousand held in trust for other post-employment benefits.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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 position, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the cost method used was the projected unit credit, with linear proration to assumed benefit commencement date. Assets are valued using market value of assets. The actuarial assumptions include a 4% investment return per annum and a 3.5% payroll increase. The projected annual healthcare cost trend rate is 5.7% initially, reduced by decrements to an ultimate rate of 3.8% and is based on Society of Actuaries Long Term Medical Trend Model. The UAAL is being amortized over twenty-four years based on a level percentage of projected payrolls.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 636,448	\$ -	\$ 123,496	\$ 25,359	\$ 785,303
Investments at fair value:					
Fixed income	6,343,884	-	2,294,119	-	8,638,003
Equity funds	12,268,893	-	2,465,897	-	14,734,790
<b>Total investments at fair value</b>	<b>18,612,777</b>	<b>-</b>	<b>4,760,016</b>	<b>-</b>	<b>23,372,793</b>
Due from other funds	-	59,658	-	-	59,658
<b>Total assets</b>	<b>19,249,225</b>	<b>59,658</b>	<b>4,883,512</b>	<b>25,359</b>	<b>24,217,754</b>
<b>NET POSITION:</b>					
Held in trust for participants	\$ 19,249,225	\$ 59,658	\$ 4,883,512	\$ 25,359	\$ 24,217,754
<b>Additions:</b>					
Contributions:					
Plan sponsor	\$ 1,122,871	\$ -	\$ 69,430	\$ -	\$ 1,192,301
Employee	74,503	-	-	21,524	96,027
Gains	172,183	-	1,966	-	174,149
Interest and dividends	532,796	1,514	148,404	11,471	694,185
<b>Total additions</b>	<b>1,902,353</b>	<b>1,514</b>	<b>219,800</b>	<b>32,995</b>	<b>2,156,662</b>
<b>Deductions:</b>					
Benefits paid	1,186,533	353,030	-	104,738	1,644,301
Losses	-	-	-	-	-
Transfers (in) out	-	-	-	(126,414)	(126,414)
Administrative fees	69,871	-	16,908	30,048	116,827
<b>Total deductions</b>	<b>1,256,404</b>	<b>353,030</b>	<b>16,908</b>	<b>8,372</b>	<b>1,634,714</b>
Change in net position	645,949	(351,516)	202,892	24,623	521,948
Net position, beginning of year	18,603,276	411,174	4,680,620	736	23,695,806
<b>Net position, end of year</b>	<b>\$ 19,249,225</b>	<b>\$ 59,658</b>	<b>\$ 4,883,512</b>	<b>\$ 25,359</b>	<b>\$ 24,217,754</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

**Note 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, 2015 totaled approximately \$75,000. These leases expire at various dates through 2022.

At June 30, 2015, the County has contractual agreements requiring approximately the following annual rental payments:

Fiscal Year Ending June 30

2016	\$	47,000
2017		28,000
2018		18,000
2019		12,000
2020		8,000
		8,000
	\$	113,000

The County has entered into a lease for the North County branch library. The lease requires monthly payments of \$1,142 through March 31, 2025 and may be renewed thereafter at \$0 per month. The Library will pay these amounts from funds appropriated to it from the County. Total lease payments paid during the year ended June 30, 2015 were \$13,704.

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

Fiscal Year Ending June 30

2016	\$	13,704
2017		13,704
2018		13,704
2019		13,704
2020		13,704

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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, 2015 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	\$	219,965
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017		219,417
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025		2,478,361
Energy equipment, General Capital Management, Inc., interest at 3.126%; payable in annual installments ranging from approximately \$111,000 to \$175,000 through October 2029		1,691,219
		1,691,219
	\$	4,608,962

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 11. Leases (continued)**

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

<u>Fiscal Year Ending June 30</u>	
2016	\$ 558,930
2017	556,568
2018	527,144
2019	429,168
2020	542,757
2021 - 2025	2,146,021
2026 - 2029	867,084
	5,627,672
Less amounts representing interest	1,018,710
<b>Present value of net minimum lease payments</b>	<b>\$ 4,608,962</b>

Interest expense on the above capital leases was approximately \$128,000 for the year ended June 30, 2015.

The following is a summary of the changes in capital leases for the year ended June 30, 2015:

	July 01, 2014	Additions	Payments	June 30, 2015
Capital leases	\$ 3,211,821	\$ 1,691,219	\$ 294,078	\$ 4,608,962

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$6,298,404 and the related accumulated depreciation was \$968,365 at June 30, 2015.

The Board leases administrative copy machines, computer equipment, and office space over terms ranging from three to five years. These leases are classified as operating leases.

Approximate future minimum lease commitments are as follows:

<u>Fiscal Year Ending June 30</u>	
2016	\$ 248,000
2017	120,000
2018	13,000
2019	-
2020	-

Rent expense under these leases totaled approximately \$524,000 for the year ended June 30, 2015.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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.

**Note 13. Landfill closure and postclosure care costs**

The County has a 23.82% 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, 2015, total closure and post closure care costs were estimated at approximately \$22.1 million, with approximately \$5.3 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, 2015, a portion of these costs, \$9.4 million, determined by the estimated useful life of the Landfills.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2014. MES expects to satisfy these requirements as of June 30, 2015 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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 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.

State of Maryland v. Brian Wynne

On May 18, 2015 the US Supreme Court ruled in *Maryland State Comptroller of the Treasury of Maryland v. Brian Wynne* that Maryland's income tax system must be altered to allow for out-of-state tax credits to be granted against local income tax. Maryland House Bill 72 at the State level allows for any prior year amendments/claims to be smoothed out through the Local Income Tax Reserve Account fiscal years 2017-2019; the effect of which we feel is insignificant.

**Note 15. Required fund disclosures**

The following funds had expenditures exceed budgeted amounts.

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
Special revenue grants fund	\$ 157,282	\$	251,284	\$	(94,002)
OJP grant law enforcement	51,280		67,686		(16,406)
Local agricultural land preservation	10,000		18,950		(8,950)
State agricultural land preservation	10,000		120,274		(110,274)
Summerfest fund	37,200		39,290		(2,090)
Law library	10,050		26,655		(16,605)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 16. Prior Period Restatement**

The County and the Board have determined to restate its Statement of Net Position and Statement of Activities as of June 30, 2014. The determination was made to restate these financial statements in connection with the fiscal year 2015 implementation of the Governmental Accounting Standards Board's Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB No. 68. This statement's objective is to improve the accounting and financial reporting for pensions as well as to improve the information provided by employers about financial support for pensions that are provided by other entities (see Note 8).

The following table is a summary of the effects of these changes on net position and change in net position as of June 30, 2015.

	<u>County</u>		<u>Board of Education</u>	
	Net Position	Change in Net Position	Net Position	Change in Net Position
As previously reported	\$ 36,412,280	\$ 3,176,872	\$ 52,699,232	\$ (5,691,037)
Adjustment to deferred financing outflow for contributions	1,547,385	1,547,385	422,934	422,934
Adjustment to net pension liability	(12,652,431)	(12,652,431)	(3,533,104)	(3,533,104)
<b>As restated</b>	<b>\$ 25,307,234</b>	<b>\$ (7,928,174)</b>	<b>\$ 49,589,062</b>	<b>\$ (8,801,207)</b>



# Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes – property:				
Real and personal property, net	\$ 24,202,110	\$ 24,202,110	\$ 24,632,506	\$ 430,396
Penalties, interest and fees	300,000	300,000	270,566	(29,434)
<b>Total taxes - property</b>	<b>24,502,110</b>	<b>24,502,110</b>	<b>24,903,072</b>	<b>400,962</b>
<b>Taxes – income</b>	<b>11,500,000</b>	<b>11,500,000</b>	<b>12,279,932</b>	<b>779,932</b>
Taxes – other local:				
Recordation	1,100,000	1,100,000	1,662,328	562,328
Franchise tax	164,000	164,000	161,208	(2,792)
Mobile home	75,000	75,000	66,537	(8,463)
<b>Total taxes – other local</b>	<b>1,339,000</b>	<b>1,339,000</b>	<b>1,890,073</b>	<b>551,073</b>
Taxes – state-shared:				
Highway users	384,596	384,596	390,172	5,576
Licenses and permits:				
Liquor	52,000	52,000	54,612	2,612
Traders license	21,000	21,000	21,211	211
Building permits	75,000	75,000	100,031	25,031
Other	10,000	10,000	10,270	270
<b>Total licenses and permits</b>	<b>158,000</b>	<b>158,000</b>	<b>186,124</b>	<b>28,124</b>
Intergovernmental revenue:				
Grants from federal government:				
Federal disaster aid	-	-	1,793	1,793
Emergency management	68,000	68,000	71,864	3,864
Other federal grants	20,000	20,000	2,389	(17,611)
Adult drug court grant	58,161	58,161	53,809	(4,352)
Incremental grant	70,000	70,000	98,540	28,540
<b>Total grants from federal government</b>	<b>216,161</b>	<b>216,161</b>	<b>228,395</b>	<b>12,234</b>

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues (continued):</b>				
<b>Grants from state government:</b>				
Equity grant	\$ 2,132,000	\$ 2,132,000	\$ 2,131,782	\$ (218)
Teacher retirement supplement	685,108	685,108	685,108	-
Police protection	162,251	162,251	157,378	(4,873)
Family services grant	146,681	146,681	137,124	(9,557)
Juvenile Drug Court	146,508	146,508	70,000	(76,508)
Fire companies	242,000	242,000	240,851	(1,149)
Other	53,420	53,420	107,086	53,666
<b>Total grants from state government</b>	<b>3,567,968</b>	<b>3,567,968</b>	<b>3,529,329</b>	<b>(38,639)</b>
<b>Other Grants:</b>				
School Resource Officer Grant	141,755	141,755	137,388	(4,367)
SRO full time	-	-	81,691	81,691
<b>Total other grants</b>	<b>141,755</b>	<b>141,755</b>	<b>219,079</b>	<b>77,324</b>
<b>Charges for services:</b>				
General government	118,500	118,500	133,343	14,843
Public safety	425,550	425,550	452,952	27,402
Public works	138,500	138,500	152,450	13,950
Recreation charges	75,261	75,261	68,352	(6,909)
Weed control	20,000	20,000	18,791	(1,209)
<b>Total charges for services</b>	<b>777,811</b>	<b>777,811</b>	<b>825,888</b>	<b>48,077</b>
<b>Miscellaneous revenues:</b>				
Interest	4,000	4,000	4,874	874
Rents	43,000	43,000	41,391	(1,609)
Municipal infrastructure	22,821	22,821	23,209	388
<b>Total miscellaneous revenues</b>	<b>69,821</b>	<b>69,821</b>	<b>69,474</b>	<b>(347)</b>
<b>Total revenues - General Fund</b>	<b>\$ 42,657,222</b>	<b>\$ 42,657,222</b>	<b>\$ 44,521,538</b>	<b>\$ 1,864,316</b>

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Expenditures:</b>				
<b>General government:</b>				
County commissioners	\$ 477,396	\$ 477,396	\$ 450,495	\$ (26,901)
Ethics commission	200	200	79	(121)
Juvenile inter government grant	-	-	62	62
<b>Judicial:</b>				
Drug Court	58,161	58,161	53,809	(4,352)
Juvenile Drug Court	146,508	146,508	70,000	(76,508)
Family services grant	168,957	168,957	161,730	(7,227)
Circuit Court	287,841	287,841	256,754	(31,087)
Orphan's Court	19,140	19,140	19,667	527
State's attorney	751,274	751,274	756,134	4,860
<b>Total judicial</b>	<b>1,431,881</b>	<b>1,431,881</b>	<b>1,318,094</b>	<b>(113,787)</b>
Elections	420,737	420,737	361,531	(59,206)
State department of assessments	154,113	154,113	137,811	(16,302)
Tax Office	326,305	326,305	317,528	(8,777)
Office of Finance	427,013	427,013	421,857	(5,156)
Legal services	160,925	160,925	146,077	(14,848)
Office of Human Resources	382,372	382,372	390,305	7,933
Planning and codes administration	743,328	743,328	833,063	89,735
General services	271,005	271,005	320,295	49,290
Town planning grants	12,500	12,500	12,500	-
Office of Technology	355,136	355,136	363,255	8,119
<b>Total general government</b>	<b>5,162,911</b>	<b>5,162,911</b>	<b>5,072,952</b>	<b>(89,959)</b>
<b>Public safety:</b>				
Sheriff's department	2,708,189	2,708,189	2,545,143	(163,046)
Courthouse security	229,924	229,924	224,217	(5,707)
School Resource Officer	189,557	189,557	183,184	(6,373)
Adult offender Comm. Service	30,720	30,720	30,720	-
SRO full time	-	-	81,691	81,691
Fire protection	1,340,963	1,340,963	1,399,234	58,271
Corrections	3,649,772	3,649,772	3,530,975	(118,797)
Emergency Services - admin.	245,824	245,824	243,819	(2,005)
Emergency Services - comm.	1,225,559	1,225,559	1,134,592	(90,967)
Emergency Services - services	2,357,651	2,357,651	2,387,202	29,551
Emergency Services - risk mgmt.	166,273	166,273	170,020	3,747
Animal control	275,000	275,000	275,000	-
Liquor licensing	69,633	69,633	56,485	(13,148)
<b>Total public safety</b>	<b>12,489,065</b>	<b>12,489,065</b>	<b>12,262,282</b>	<b>(226,783)</b>

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Expenditures (continued):</u></b>				
Public works:				
Administration	\$ 317,891	\$ 317,891	\$ 345,307	\$ 27,416
Central shop	634,997	634,997	620,913	(14,084)
Solid waste disposal	241,500	241,500	207,822	(33,678)
Johnsongrass	79,054	79,054	77,558	(1,496)
Mosquito control	79,784	79,784	70,561	(9,223)
Roads	1,595,914	1,595,914	1,298,332	(297,582)
County buildings	618,376	618,376	620,789	2,413
<b>Total public works</b>	<b>3,567,516</b>	<b>3,567,516</b>	<b>3,241,282</b>	<b>(326,234)</b>
Health:				
Health Department	377,903	377,903	377,903	-
Other	74,945	74,945	74,935	(10)
<b>Total health</b>	<b>452,848</b>	<b>452,848</b>	<b>452,838</b>	<b>(10)</b>
<b>Social services</b>	<b>137,953</b>	<b>137,953</b>	<b>138,128</b>	<b>175</b>
Education:				
Primary education	13,437,486	13,437,486	13,437,486	-
Chesapeake College	1,527,320	1,527,320	1,527,319	(1)
<b>Total education</b>	<b>14,964,806</b>	<b>14,964,806</b>	<b>14,964,805</b>	<b>(1)</b>
Public library	1,090,000	1,090,000	1,090,000	-
Recreation and parks	906,771	906,771	909,950	3,179
Arts	5,000	5,000	5,000	-
Conservation of natural resources	134,413	134,413	134,413	-
Interfaith housing	6,000	6,000	6,000	-
Economic development	242,850	242,850	242,850	-
Contingency	158,393	158,393	79,000	(79,393)
Debt service:				
Principal	2,516,287	2,516,287	2,509,085	(7,202)
Interest	1,059,517	1,059,517	1,028,383	(31,134)
<b>Total debt service</b>	<b>3,575,804</b>	<b>3,575,804</b>	<b>3,537,468</b>	<b>(38,336)</b>
<b>Total expenditures – General Fund</b>	<b>42,894,330</b>	<b>42,894,330</b>	<b>42,136,968</b>	<b>(757,362)</b>

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Other financing sources (uses):</u>				
Transfer in from:				
Educational facilities	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Basic life support	713,000	713,000	777,244	(64,244)
Recreation programs	1,700	1,700	1,700	-
Transfer out to:				
4-H park	(22,592)	(22,592)	(19,432)	(3,160)
Capital improvements	(400,000)	(400,000)	(1,860,848)	1,460,848
Drug task force	(50,000)	(50,000)	(50,000)	-
Sick leave unfunded liability	(65,000)	(65,000)	-	(65,000)
<hr/>				
Total other financing sources (uses) – General Fund	237,108	237,108	(1,091,336)	1,328,444
<hr/>				
Total expenditures and other financing sources (uses)	42,657,222	42,657,222	43,228,304	571,082
<hr/>				
Net change in fund balances	\$ -	\$ -	\$ 1,293,234	\$ 1,293,234

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE - SHS MEDICAL TRANSPORTATION

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Intergovernmental revenue:				
Grants from state government:				
SHS Med Transportation	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
<u>Total grants from state government</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<u>Total revenues</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<u>Expenditures:</u>				
Health:				
Other	120,000	120,000	-	(120,000)
<u>Total health</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<u>Total expenditures</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<u>Net change in fund balances</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

**THE COUNTY COMMISSIONERS OF CAROLINE COUNTY**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Employer's Proportion (Percentage) of the Collective NPL A</b>	<b>Employer's Proportion Share of the Collective NPL B</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Proportionate Share as a Percentage of Covered Payroll (B / C)</b>	<b>Plan's Total Fiduciary Net Position D</b>	<b>Plan's Total Pension Liability E</b>	<b>Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)</b>
2015	June 30, 2014	0.0180765	\$ 3,207,990	\$ 1,362,323	235%	\$ 45,339,988,000	\$ 63,086,719,000	72%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

See Independent Auditor's Report

**THE COUNTY COMMISSIONERS OF CAROLINE COUNTY**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Contractually Required Contribution A</b>	<b>Actual Contribution B</b>	<b>Contribution Deficiency (Excess) (A - B)</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Actual Contribution as a Percentage of Covered Payroll (B / C)</b>
2015	June 30, 2014	\$ 421,248	\$ 421,248	\$ -	\$ 1,362,323	31%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

See Independent Auditor's Report

**THE COUNTY COMMISSIONERS OF CAROLINE COUNTY**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**ACTUARIAL ASSUMPTIONS - PENSION PLAN**

<b>Actuarial</b>	<b>Entry Age Normal</b>
<b>Amortization Method</b>	<b>Level Percentage of Payroll, Closed</b>
<b>Remaining Amortization Period</b>	24 years for State system, 25 years for LEOPS Muni, and 32 years for CORS Muni as of June 30, 2014. For ECS Muni, 6 years remaining as of June 30, 2014 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
<b>Asset Valuation Method</b>	5-year smoothed market; 20% collar
<b>Inflation</b>	2.90% general, 3.40% wage
<b>Salary Increases</b>	3.40% to 11.90% including inflation
<b>Discount Rate</b>	7.65%
<b>Investment Rate of Return</b>	7.65%
<b>Retirement Age</b>	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010
<b>Mortality</b>	RP-2000 Combined Healthy Mortality Table projected to the year 2025
<b>Note</b>	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2014 valuation: Investment return assumption changed from 7.70% to 7.65% Inflation assumption changed from 2.95% to 2.90%; Disability mortality assumption for State Police and LEOPS changed to: RP-2000 Disabled Mortality: 50% table for males and 75% for females, but not less than the RP-2000 Combined Healthy Mortality table projected to year 2025

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED NOTES  
Caroline County, Maryland Employees' Pension Plan  
Last ten fiscal years  
June 30, 2015

	<i>(Dollar amounts in thousands)</i>									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension liability</b>										
Service cost	\$ 540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,601	-	-	-	-	-	-	-	-	-
Changes of benefit terms	(500)	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	729	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(1,382)	-	-	-	-	-	-	-	-	-
<b>Net change in total pension liability</b>	<b>988</b>	<b>-</b>								
<b>Total pension liability - beginning</b>	<b>22,778</b>	<b>-</b>								
<b>Total pension liability - ending (a)</b>	<b>\$ 23,766</b>	<b>\$ -</b>								
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 1,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	35	-	-	-	-	-	-	-	-	-
Net investment income	2,505	-	-	-	-	-	-	-	-	-
Benefits payments, including refunds of members contributions	(1,382)	-	-	-	-	-	-	-	-	-
Administrative expense	(32)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>2,217</b>	<b>-</b>								
<b>Plan fiduciary net position - beginning</b>	<b>16,386</b>	<b>-</b>								
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 18,603</b>	<b>\$ -</b>								
County's net pension liability - ending (a)-(b)	\$ 5,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	78%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	\$ 7,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	70%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected average remaining service years	7	-	-	-	-	-	-	-	-	-

**Notes to schedule:**

**Benefit changes:** In 2014, the benefit terms were modified including a change to the benefit formula for participants retiring after July 1, 2016 and a change to Final Average Earnings for participants retiring after July 1, 2015.

**Changes of assumptions:** In 2014, the assumed investment rate of return net of investment fees was decreased from 7.50% to 7.25%.

**Information for 2014 and earlier is not available**

**See Independent Auditor's Report**

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 Caroline County, Maryland Employees' Pension Plan  
 Last ten fiscal years  
 June 30, 2015

	<i>(Dollar amounts in thousands)</i>									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,005	\$ 1,167	\$ 1,122	\$ 935	\$ 788	\$ 999	\$ 1,008	\$ 986	\$ 902	\$ 740
Contributions in relation to the actuarially determined contribution	1,091	1,166	875	775	778	1,587	1,500	1,500	2,000	667
<b>Contribution deficiency (excess)</b>	<b>\$ (86)</b>	<b>\$ 1</b>	<b>\$ 247</b>	<b>\$ 160</b>	<b>\$ 10</b>	<b>\$ (588)</b>	<b>\$ (492)</b>	<b>\$ (514)</b>	<b>\$ (1,098)</b>	<b>\$ 73</b>
Covered employee payroll	\$ 7,388	\$ 7,018	\$ 7,060	\$ 7,102	\$ 7,938	\$ 9,324	\$ 9,192	\$ 8,520	\$ 7,103	\$ 6,543
Contributions as a percentage of covered employee payroll	15%	17%	12%	11%	10%	17%	16%	18%	28%	10%

**Notes to schedule:**

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1). Actuarial valuation are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 combined healthy tables with generational projection by scale AA

See Independent Auditor's Report

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

June 30, 2015

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, 2012	\$ 4,319,000	\$ 7,550,000	\$ 3,231,000	57.21%	\$ 7,060,145	45.76%
July 1, 2013	\$ 4,193,392	\$ 4,242,000	\$ 48,608	98.85%	\$ 6,962,170	0.70%
July 1, 2013	\$ 4,363,000	\$ 4,503,000	\$ 140,000	96.89%	\$ 6,962,170	2.01%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2013	\$ 543,000	\$ 82,031	15.11%	\$ (2,086,362)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)
June 30, 2015	\$ 199,000	\$ 239,788	120.50%	\$ (2,176,940)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015

**1. Budgets and Budgetary Accounting**

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

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2015.



# Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2015

Special Revenue Funds

	Jonestown Water System		4-H Park		Special Grants Fund		OJP Grants Law Enforcement		CDBG		Revolving Loan Fund		MEAF Revolving Loan	
<b>ASSETS:</b>														
Cash and cash equivalents	\$	-	\$	21,176	\$	-	\$	430	\$	-	\$	81,772	\$	127,869
Accounts receivable		-		-		55,976		10,100		-		130,254		26,307
Due from other funds		-		-		-		-		-		-		-
Other assets		-		-		-		-		-		-		-
<b>Total assets</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>21,176</b>	<b>\$</b>	<b>55,976</b>	<b>\$</b>	<b>10,530</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>212,026</b>	<b>\$</b>	<b>154,176</b>
<b>LIABILITIES AND FUND BALANCES:</b>														
<b>Liabilities:</b>														
Accounts payable	\$	443	\$	943	\$	6,059	\$	1,350	\$	-	\$	-	\$	-
Due to other funds		9,815		-		42,976		7,831		57		-		-
Due to other governments		-		-		-		-		-		-		-
Unearned revenues		-		-		2,600		-		-		594		-
Other liabilities		-		-		-		-		-		-		-
<b>Total liabilities</b>		<b>10,258</b>		<b>943</b>		<b>51,635</b>		<b>9,181</b>		<b>57</b>		<b>594</b>		<b>-</b>
<b>Fund balances:</b>														
Non-spendable		-		-		-		-		-		-		-
Restricted		-		-		4,341		1,349		-		211,432		154,176
Committed		-		-		-		-		-		-		-
Assigned		-		20,233		-		-		-		-		-
Unassigned		(10,258)		-		-		-		(57)		-		-
<b>Total fund balances (deficit)</b>		<b>(10,258)</b>		<b>20,233</b>		<b>4,341</b>		<b>1,349</b>		<b>(57)</b>		<b>211,432</b>		<b>154,176</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>21,176</b>	<b>\$</b>	<b>55,976</b>	<b>\$</b>	<b>10,530</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>212,026</b>	<b>\$</b>	<b>154,176</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2015

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 117	\$ -	\$ 33,250	\$ 13,412	\$ 16,344	\$ 11,310	\$ 15,061
Accounts receivable	-	-	-	-	-	3,276	2,052
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	2,750	-	-
<b>Total assets</b>	<b>\$ 117</b>	<b>\$ -</b>	<b>\$ 33,250</b>	<b>\$ 13,412</b>	<b>\$ 19,094</b>	<b>\$ 14,586</b>	<b>\$ 17,113</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 117	\$ -	\$ -	\$ -	\$ -	\$ 7,993	\$ 1,168
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	13,719	-	-
Other liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,719</b>	<b>7,993</b>	<b>1,168</b>
<b>Fund balances:</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	6,593	15,945
Committed	-	-	33,250	13,412	-	-	-
Assigned	-	-	-	-	5,375	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>-</b>	<b>33,250</b>	<b>13,412</b>	<b>5,375</b>	<b>6,593</b>	<b>15,945</b>
<b>Total liabilities and fund balances</b>	<b>\$ 117</b>	<b>\$ -</b>	<b>\$ 33,250</b>	<b>\$ 13,412</b>	<b>\$ 19,094</b>	<b>\$ 14,586</b>	<b>\$ 17,113</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2015

Special Revenue Funds

	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 25,976	\$ 24,533	\$ -	\$ 64,805	\$ 521,539	\$ -
Accounts receivable	-	-	47,097	-	-	-
Due from other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 25,976</b>	<b>\$ 24,533</b>	<b>\$ 47,097</b>	<b>\$ 64,805</b>	<b>\$ 521,539</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ 2,073	\$ -	\$ -	\$ -
Due to other funds	-	-	46,154	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>48,227</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	25,976	24,533	-	-	-	-
Assigned	-	-	-	64,805	521,539	-
Unassigned	-	-	(1,130)	-	-	-
<b>Total fund balances (deficit)</b>	<b>25,976</b>	<b>24,533</b>	<b>(1,130)</b>	<b>64,805</b>	<b>521,539</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,976</b>	<b>\$ 24,533</b>	<b>\$ 47,097</b>	<b>\$ 64,805</b>	<b>\$ 521,539</b>	<b>\$ -</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2015

	Special Revenue Funds		Capital Projects Fund		Totals
	Drug Task Force	Dayspring Townhomes	Educational Facilities		
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 127,502	\$ 40,784	\$ 174,331	\$ 1,300,211	
Accounts receivable	-	5,452	-	280,514	
Due from other funds	-	-	-	-	
Other assets	-	682,868	-	685,618	
<b>Total assets</b>	<b>\$ 127,502</b>	<b>\$ 729,104</b>	<b>\$ 174,331</b>	<b>\$ 2,266,343</b>	
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,082	\$ 20,084	\$ -	\$ 42,312	
Due to other funds	15,531	-	-	122,364	
Due to other governments	-	-	-	-	
Unearned revenues	-	-	-	16,913	
Other liabilities	-	24,859	-	24,859	
<b>Total liabilities</b>	<b>17,613</b>	<b>44,943</b>	<b>-</b>	<b>206,448</b>	
<b>Fund balances:</b>					
Non-spendable	-	-	-	-	
Restricted	109,889	684,161	-	1,187,886	
Committed	-	-	174,331	271,502	
Assigned	-	-	-	611,952	
Unassigned	-	-	-	(11,445)	
<b>Total fund balances (deficit)</b>	<b>109,889</b>	<b>684,161</b>	<b>174,331</b>	<b>2,059,895</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 127,502</b>	<b>\$ 729,104</b>	<b>\$ 174,331</b>	<b>\$ 2,266,343</b>	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2015

	Special Revenue Funds						
	Jonestown Water System	4-H Park	Special Grants Fund	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	253,119	65,064	-	-	-
Charges for services	15,340	-	-	-	-	-	-
Miscellaneous revenues	-	15,401	-	-	-	5,272	1,364
<b>Total revenues</b>	<b>15,340</b>	<b>15,401</b>	<b>253,119</b>	<b>65,064</b>	<b>-</b>	<b>5,272</b>	<b>1,364</b>
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	67,686	-	-	-
Public works	13,094	-	-	-	-	-	-
Recreation and culture	-	34,833	-	-	-	-	-
Economic development	-	-	251,284	-	-	-	-
<b>Total expenditures</b>	<b>13,094</b>	<b>34,833</b>	<b>251,284</b>	<b>67,686</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,246</b>	<b>(19,432)</b>	<b>1,835</b>	<b>(2,622)</b>	<b>-</b>	<b>5,272</b>	<b>1,364</b>
Other financing sources (uses):							
Transfers in (out)	-	19,432	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>19,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>2,246</b>	<b>-</b>	<b>1,835</b>	<b>(2,622)</b>	<b>-</b>	<b>5,272</b>	<b>1,364</b>
<b>Fund balances (deficit), beginning</b>	<b>(12,504)</b>	<b>20,233</b>	<b>2,506</b>	<b>3,971</b>	<b>(57)</b>	<b>206,160</b>	<b>152,812</b>
<b>Fund balances (deficit), ending</b>	<b>\$ (10,258)</b>	<b>\$ 20,233</b>	<b>\$ 4,341</b>	<b>\$ 1,349</b>	<b>\$ (57)</b>	<b>\$ 211,432</b>	<b>\$ 154,176</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2015

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
Revenues:							
Taxes	\$ -	\$ -	\$ 15,000	\$ (274)	\$ -	\$ -	\$ -
Licenses and permits	117	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	46,927	151,123	11,259
<b>Total revenues</b>	<b>117</b>	<b>-</b>	<b>15,000</b>	<b>(274)</b>	<b>46,927</b>	<b>151,123</b>	<b>11,259</b>
Expenditures:							
General government	-	-	18,950	120,274	-	-	26,655
Public safety	117	-	-	-	-	150,302	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	39,290	-	-
Economic development	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>117</b>	<b>-</b>	<b>18,950</b>	<b>120,274</b>	<b>39,290</b>	<b>150,302</b>	<b>26,655</b>
Excess (deficiency) of revenues over expenditures	-	-	(3,950)	(120,548)	7,637	821	(15,396)
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	(3,950)	(120,548)	7,637	821	(15,396)
Fund balances (deficit), beginning	-	-	37,200	133,960	(2,262)	5,772	31,341
<b>Fund balances (deficit), ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,250</b>	<b>\$ 13,412</b>	<b>\$ 5,375</b>	<b>\$ 6,593</b>	<b>\$ 15,945</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2015

	Special Revenue Funds					
	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	135,352	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous revenues	10,560	3,102	-	-	1,297	-
<b>Total revenues</b>	<b>10,560</b>	<b>3,102</b>	<b>135,352</b>	<b>-</b>	<b>1,297</b>	<b>-</b>
Expenditures:						
General government	-	-	-	-	-	-
Public safety	-	-	135,352	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Economic development	-	-	-	1,731	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>135,352</b>	<b>1,731</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>10,560</b>	<b>3,102</b>	<b>-</b>	<b>(1,731)</b>	<b>1,297</b>	<b>-</b>
Other financing sources (uses):						
Transfers in (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>10,560</b>	<b>3,102</b>	<b>-</b>	<b>(1,731)</b>	<b>1,297</b>	<b>-</b>
<b>Fund balances (deficit), beginning</b>	<b>15,416</b>	<b>21,431</b>	<b>(1,130)</b>	<b>66,536</b>	<b>520,242</b>	<b>-</b>
<b>Fund balances (deficit), ending</b>	<b>\$ 25,976</b>	<b>\$ 24,533</b>	<b>\$ (1,130)</b>	<b>\$ 64,805</b>	<b>\$ 521,539</b>	<b>\$ -</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2015

	Special Revenue Funds		Capital Projects Fund	Totals
	Drug Task Force	Dayspring Townhomes	Educational Facilities	
Revenues:				
Taxes	\$ -	\$ -	\$ 179,944	\$ 194,670
Licenses and permits	-	-	-	117
Intergovernmental revenues	-	-	-	453,535
Charges for services	-	-	-	15,340
Miscellaneous revenues	62,208	303,909	-	612,422
<b>Total revenues</b>	<b>62,208</b>	<b>303,909</b>	<b>179,944</b>	<b>1,276,084</b>
Expenditures:				
General government	-	286,650	-	452,529
Public safety	126,726	-	-	480,183
Public works	-	-	-	13,094
Recreation and culture	-	-	-	74,123
Economic development	-	-	-	253,015
<b>Total expenditures</b>	<b>126,726</b>	<b>286,650</b>	<b>-</b>	<b>1,272,944</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(64,518)</b>	<b>17,259</b>	<b>179,944</b>	<b>3,140</b>
Other financing sources (uses):				
Transfers in (out)	50,000	-	(60,000)	9,432
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>-</b>	<b>(60,000)</b>	<b>9,432</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(14,518)</b>	<b>17,259</b>	<b>119,944</b>	<b>12,572</b>
<b>Fund balances (deficit), beginning</b>	<b>124,407</b>	<b>666,902</b>	<b>54,387</b>	<b>2,047,323</b>
<b>Fund balances (deficit), ending</b>	<b>\$ 109,889</b>	<b>\$ 684,161</b>	<b>\$ 174,331</b>	<b>\$ 2,059,895</b>

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

AGENCY FUNDS

June 30, 2015

	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	
<b>ASSETS:</b>												
Cash and cash equivalents	\$ 19,099	\$ 53,511	\$ 6,841	\$ 3,745	\$ 18,629	\$ 1,232	\$ 20,333	\$ 35,225	\$ 398,863	\$ 450	\$ 557,928	
Taxes and other receivables	22,398	31,211	-	-	-	-	-	-	-	-	53,609	
<b>Total assets</b>	<b>\$ 41,497</b>	<b>\$ 84,722</b>	<b>\$ 6,841</b>	<b>\$ 3,745</b>	<b>\$ 18,629</b>	<b>\$ 1,232</b>	<b>\$ 20,333</b>	<b>\$ 35,225</b>	<b>\$ 398,863</b>	<b>\$ 450</b>	<b>\$ 611,537</b>	
<b>LIABILITIES:</b>												
Accounts payable	\$ -	\$ -	\$ 6,841	\$ 3,745	\$ 18,629	\$ -	\$ 20,333	\$ -	\$ -	\$ -	\$ 49,548	
Due to property owners	-	-	-	-	-	-	-	-	398,863	-	398,863	
Due to other governments	41,497	84,722	-	-	-	-	-	35,225	-	450	161,894	
Due to participants	-	-	-	-	-	1,232	-	-	-	-	1,232	
<b>Total liabilities</b>	<b>\$ 41,497</b>	<b>\$ 84,722</b>	<b>\$ 6,841</b>	<b>\$ 3,745</b>	<b>\$ 18,629</b>	<b>\$ 1,232</b>	<b>\$ 20,333</b>	<b>\$ 35,225</b>	<b>\$ 398,863</b>	<b>\$ 450</b>	<b>\$ 611,537</b>	

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
<b>State Property Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 37,597	\$ 2,345,866	\$ 2,364,364	\$ 19,099
Taxes and other receivables	18,529	2,807,260	2,803,391	22,398
<b>Total assets</b>	<b>\$ 56,126</b>	<b>\$ 5,153,126</b>	<b>\$ 5,167,755</b>	<b>\$ 41,497</b>
Liabilities:				
Due to other governments	\$ 56,126	\$ 2,807,260	\$ 2,821,889	\$ 41,497
<b>Total liabilities</b>	<b>\$ 56,126</b>	<b>\$ 2,807,260</b>	<b>\$ 2,821,889</b>	<b>\$ 41,497</b>
<b>Town Property Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 77,146	\$ 5,247,158	\$ 5,270,793	\$ 53,511
Taxes and other receivables	33,166	5,214,777	5,216,732	31,211
<b>Total assets</b>	<b>\$ 110,312</b>	<b>\$ 10,461,935</b>	<b>\$ 10,487,525</b>	<b>\$ 84,722</b>
Liabilities:				
Due to other governments	\$ 110,312	\$ 5,214,777	\$ 5,240,367	\$ 84,722
<b>Total liabilities</b>	<b>\$ 110,312</b>	<b>\$ 5,214,777</b>	<b>\$ 5,240,367</b>	<b>\$ 84,722</b>
<b>DMV Tag Sales Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 13,665	\$ 322,808	\$ 329,632	\$ 6,841
<b>Total assets</b>	<b>\$ 13,665</b>	<b>\$ 322,808</b>	<b>\$ 329,632</b>	<b>\$ 6,841</b>
Liabilities:				
Accounts Payable	\$ 13,665	\$ 322,808	\$ 329,632	\$ 6,841
<b>Total liabilities</b>	<b>\$ 13,665</b>	<b>\$ 322,808</b>	<b>\$ 329,632</b>	<b>\$ 6,841</b>

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 01, 2014		Additions		Deductions		Balance June 30, 2015
<b>Hotel Rental Tax:</b>							
Assets:							
Cash and cash equivalents	\$ 4,158	\$	46,343	\$	46,756	\$	3,745
<b>Total assets</b>	<b>\$ 4,158</b>	<b>\$</b>	<b>46,343</b>	<b>\$</b>	<b>46,756</b>	<b>\$</b>	<b>3,745</b>
Liabilities:							
Accounts payable	\$ 4,158	\$	46,343	\$	46,756	\$	3,745
<b>Total liabilities</b>	<b>\$ 4,158</b>	<b>\$</b>	<b>46,343</b>	<b>\$</b>	<b>46,756</b>	<b>\$</b>	<b>3,745</b>
<b>Tax Sale Proceeds Fund:</b>							
Assets:							
Cash and cash equivalents	\$ 37,823	\$	808,439	\$	827,633	\$	18,629
<b>Total assets</b>	<b>\$ 37,823</b>	<b>\$</b>	<b>808,439</b>	<b>\$</b>	<b>827,633</b>	<b>\$</b>	<b>18,629</b>
Liabilities:							
Accounts payable	\$ 37,823	\$	808,439	\$	827,633	\$	18,629
<b>Total liabilities</b>	<b>\$ 37,823</b>	<b>\$</b>	<b>808,439</b>	<b>\$</b>	<b>827,633</b>	<b>\$</b>	<b>18,629</b>
<b>Inmate Account:</b>							
Assets:							
Cash and cash equivalents	\$ 1,645	\$	125,447	\$	125,860	\$	1,232
<b>Total assets</b>	<b>\$ 1,645</b>	<b>\$</b>	<b>125,447</b>	<b>\$</b>	<b>125,860</b>	<b>\$</b>	<b>1,232</b>
Liabilities:							
Due to participants	\$ 1,645	\$	125,447	\$	125,860	\$	1,232
<b>Total liabilities</b>	<b>\$ 1,645</b>	<b>\$</b>	<b>125,447</b>	<b>\$</b>	<b>125,860</b>	<b>\$</b>	<b>1,232</b>

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
<b>Confiscated Properties Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 27,544	\$ 9,885	\$ 17,096	\$ 20,333
<b>Total assets</b>	<b>\$ 27,544</b>	<b>\$ 9,885</b>	<b>\$ 17,096</b>	<b>\$ 20,333</b>
Liabilities:				
Accounts payable	\$ 27,544	\$ 9,885	\$ 17,096	\$ 20,333
<b>Total liabilities</b>	<b>\$ 27,544</b>	<b>\$ 9,885</b>	<b>\$ 17,096</b>	<b>\$ 20,333</b>
<b>Bay Restoration Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 33,313	\$ 506,640	\$ 504,728	\$ 35,225
<b>Total assets</b>	<b>\$ 33,313</b>	<b>\$ 506,640</b>	<b>\$ 504,728</b>	<b>\$ 35,225</b>
Liabilities:				
Due to other governments	\$ 33,313	\$ 506,640	\$ 504,728	\$ 35,225
<b>Total liabilities</b>	<b>\$ 33,313</b>	<b>\$ 506,640</b>	<b>\$ 504,728</b>	<b>\$ 35,225</b>
<b>Public Drainage Association:</b>				
Assets:				
Cash and cash equivalents	\$ 399,806	\$ 135,073	\$ 136,016	\$ 398,863
<b>Total assets</b>	<b>\$ 399,806</b>	<b>\$ 135,073</b>	<b>\$ 136,016</b>	<b>\$ 398,863</b>
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to property owners	399,806	135,073	136,016	398,863
<b>Total liabilities</b>	<b>\$ 399,806</b>	<b>\$ 135,073</b>	<b>\$ 136,016</b>	<b>\$ 398,863</b>

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

	Balance July 01, 2014		Additions		Deductions		Balance June 30, 2015
<b>Home Builder Guaranty Fund</b>							
Assets:							
Cash and cash equivalents	\$ 350	\$	2,350	\$	2,250	\$	450
<b>Total assets</b>	<b>\$ 350</b>	<b>\$</b>	<b>2,350</b>	<b>\$</b>	<b>2,250</b>	<b>\$</b>	<b>450</b>
Liabilities:							
Due to other governments	\$ 350	\$	2,350	\$	2,250	\$	450
<b>Total liabilities</b>	<b>\$ 350</b>	<b>\$</b>	<b>2,350</b>	<b>\$</b>	<b>2,250</b>	<b>\$</b>	<b>450</b>
<b>Total Agency Funds:</b>							
Assets:							
Cash and cash equivalents	\$ 633,047	\$	9,550,009	\$	9,625,128	\$	557,928
Taxes and other receivables	51,695		8,022,037		8,020,123		53,609
<b>Total assets</b>	<b>\$ 684,742</b>	<b>\$</b>	<b>17,572,046</b>	<b>\$</b>	<b>17,645,251</b>	<b>\$</b>	<b>611,537</b>
Liabilities:							
Accounts payable	\$ 83,190	\$	1,187,475	\$	1,221,117	\$	49,548
Due to property owners	399,806		135,073		136,016		398,863
Due to other governments	200,101		8,531,027		8,569,234		161,894
Due to participants	1,645		125,447		125,860		1,232
<b>Total liabilities</b>	<b>\$ 684,742</b>	<b>\$</b>	<b>9,979,022</b>	<b>\$</b>	<b>10,052,227</b>	<b>\$</b>	<b>611,537</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION  
OTHER PROPRIETARY FUNDS

June 30, 2015

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 107,974	\$ 217,030	\$ 227,289	\$ 552,293
Accounts receivable	189,961	69,414	22,176	281,551
Due from other funds	-	303	-	303
<b>Total current assets</b>	<b>297,935</b>	<b>286,747</b>	<b>249,465</b>	<b>834,147</b>
Noncurrent assets:				
Capital assets, net	-	23,383	233,977	257,360
<b>Total assets</b>	<b>297,935</b>	<b>310,130</b>	<b>483,442</b>	<b>1,091,507</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	58,634	3,404	81,736	143,774
Unearned revenue	28,129	-	2,223	30,352
<b>Total current liabilities</b>	<b>86,763</b>	<b>3,404</b>	<b>83,959</b>	<b>174,126</b>
Noncurrent liabilities:				
Long-term debt	-	-	-	-
<b>Total liabilities</b>	<b>86,763</b>	<b>3,404</b>	<b>83,959</b>	<b>174,126</b>
<b>NET POSITION:</b>				
Invested in capital assets	-	23,383	233,977	257,360
Unrestricted	211,172	283,343	165,506	660,021
<b>Total net position</b>	<b>\$ 211,172</b>	<b>\$ 306,726</b>	<b>\$ 399,483</b>	<b>\$ 917,381</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED June 30, 2015

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
Operating revenues:				
Charges for services	\$ 239,635	\$ 717,510	\$ 230,235	\$ 1,187,380
<b>Total operating revenues</b>	<b>239,635</b>	<b>717,510</b>	<b>230,235</b>	<b>1,187,380</b>
Operating expenses:				
Personnel services	244,539	-	-	244,539
Operations and maintenance	280,972	642,665	117,910	1,041,547
Depreciation expense	-	1,990	50,501	52,491
<b>Total operating expenses</b>	<b>525,511</b>	<b>644,655</b>	<b>168,411</b>	<b>1,338,577</b>
<b>Operating income (loss)</b>	<b>(285,876)</b>	<b>72,855</b>	<b>61,824</b>	<b>(151,197)</b>
Nonoperating revenues (expenses):				
Intergovernmental revenues	340,629	-	-	340,629
Transfers in (out)	(1,700)	-	-	(1,700)
<b>Total nonoperating revenues (expenses)</b>	<b>338,929</b>	<b>-</b>	<b>-</b>	<b>338,929</b>
<b>Change in net position</b>	<b>53,053</b>	<b>72,855</b>	<b>61,824</b>	<b>187,732</b>
<b>Net position, beginning of year</b>	<b>158,119</b>	<b>233,871</b>	<b>337,659</b>	<b>729,649</b>
<b>Net position, end of year</b>	<b>\$ 211,172</b>	<b>\$ 306,726</b>	<b>\$ 399,483</b>	<b>\$ 917,381</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS -  
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2015

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 144,010	\$ 722,661	\$ 230,321	\$ 1,096,992
Cash paid to suppliers	(258,045)	(664,068)	(60,624)	(982,737)
Cash paid to employees	(244,539)	-	-	(244,539)
<b>Net cash provided (used) by operating activities</b>	<b>(358,574)</b>	<b>58,593</b>	<b>169,697</b>	<b>(130,284)</b>
<b>Cash flows from noncapital financing activities</b>				
Intergovernmental	340,629	-	-	340,629
Transfer in (out)	(1,700)	-	-	(1,700)
Payment of interfund loan	-	(96)	-	(96)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>338,929</b>	<b>(96)</b>	<b>-</b>	<b>338,833</b>
<b>Cash flows from capital and financing activities</b>				
Acquisition of capital assets	-	-	(69,810)	(69,810)
<b>Net cash provided (used) by capital and financing activities</b>	<b>-</b>	<b>-</b>	<b>(69,810)</b>	<b>(69,810)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,645)</b>	<b>58,497</b>	<b>99,887</b>	<b>138,739</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>127,619</b>	<b>158,533</b>	<b>127,402</b>	<b>413,554</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 107,974</b>	<b>\$ 217,030</b>	<b>\$ 227,289</b>	<b>\$ 552,293</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (285,876)	\$ 72,855	\$ 61,824	\$ (151,197)
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	(99,126)	5,151	-	(93,975)
Increase (decrease) in accounts payable	22,927	(21,403)	57,286	58,810
Increase (decrease) in unearned revenue	3,501	-	86	3,587
<b>Net cash provided (used) by operating activities</b>	<b>\$ (358,574)</b>	<b>\$ 58,593</b>	<b>\$ 169,697</b>	<b>\$ (130,284)</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND  
 YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 280,000	\$ 280,000	\$ 534,257	\$ 254,257
Intergovernmental revenues	2,793,549	2,793,549	619,171	(2,174,378)
Miscellaneous revenues	119,943	119,943	75,366	(44,577)
<b>Total revenues</b>	<b>3,193,492</b>	<b>3,193,492</b>	<b>1,228,794</b>	<b>(1,964,698)</b>
<b>Expenditures:</b>				
General government	276,000	276,000	335,546	59,546
Public safety	1,277,500	1,277,500	1,065,673	(211,827)
Public works	3,153,369	3,153,369	1,724,534	(1,428,835)
Primary education	6,122,000	6,122,000	2,302,462	(3,819,538)
Public Library	25,666	25,666	45,477	19,811
Recreation and parks	505,223	505,223	209,105	(296,118)
<b>Total expenditures</b>	<b>11,359,758</b>	<b>11,359,758</b>	<b>5,682,797</b>	<b>(5,676,961)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(8,166,266)</b>	<b>(8,166,266)</b>	<b>(4,454,003)</b>	<b>3,712,263</b>
<b>Other financing sources (uses):</b>				
Transfers in (out)	450,000	450,000	1,860,848	1,410,848
Fund balance re-appropriated	249,666	249,666	-	(249,666)
Bond premiums	-	-	135,446	135,446
Proceeds from issuance of debt	7,466,600	7,466,600	7,300,000	(166,600)
<b>Total other financing sources (uses)</b>	<b>8,166,266</b>	<b>8,166,266</b>	<b>9,296,294</b>	<b>1,130,028</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,842,291</b>	<b>\$ 4,842,291</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND  
 YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Revenues:</u></b>				
Taxes	\$ 60,000	\$ 60,000	\$ 179,944	\$ 119,944
Total revenues	60,000	60,000	179,944	119,944
<b><u>Expenditures</u></b>				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	60,000	60,000	179,944	119,944
<b>Other financing sources (uses):</b>				
Transfers in (out)	(60,000)	(60,000)	(60,000)	-
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 119,944</b>	<b>\$ 119,944</b>

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

YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Jonestown Water System</u></b>				
Revenues:				
Charges for services	\$ 13,250	\$ 13,250	\$ 15,340	\$ 2,090
Expenditures:				
Public works	13,250	13,250	13,094	(156)
Revenues over (under) expenditures	\$ -	\$ -	\$ 2,246	\$ 2,246
<b><u>4-H Park:</u></b>				
Revenues:				
Miscellaneous revenues	\$ 14,728	\$ 14,728	\$ 15,401	\$ 673
Expenditures:				
Recreation and culture	37,320	37,320	34,833	(2,487)
Other financing sources(uses):				
Transfers in	22,592	22,592	19,432	(3,160)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<b><u>Special Grants</u></b>				
Revenues:				
Intergovernmental revenues	\$ 157,282	\$ 157,282	\$ 253,119	\$ 95,837
Expenditures:				
Economic development	157,282	157,282	251,284	94,002
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,835	\$ 1,835
<b><u>OJP Grant Law Enforcement:</u></b>				
Revenues:				
Intergovernmental revenues	\$ 51,280	\$ 51,280	\$ 65,064	\$ 13,784
Expenditures:				
Public safety	51,280	51,280	67,686	16,406
Revenues over (under) expenditures	\$ -	\$ -	\$ (2,622)	\$ (2,622)

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

YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Local Agricultural Land Preservation:</u></b>				
Revenues:				
Taxes	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
Expenditures:				
General government	10,000	10,000	18,950	8,950
Revenues over (under) expenditures	\$ -	\$ -	\$ (3,950)	\$ (3,950)
<b><u>State Agricultural Land Preservation:</u></b>				
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ (274)	\$ (30,274)
Expenditures:				
General government	10,000	10,000	120,274	110,274
Other financing sources(uses):				
Transfers out	(20,000)	(20,000)	-	20,000
Revenues over (under) expenditures	\$ -	\$ -	\$ (120,548)	\$ (120,548)
<b><u>Summerfest Fund:</u></b>				
Revenues:				
Miscellaneous revenues	\$ 37,200	\$ 37,200	\$ 46,927	9,727
Expenditures:				
Recreation and culture	37,200	37,200	39,290	2,090
Revenues over (under) expenditures	\$ -	\$ -	\$ 7,637	\$ 7,637

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

YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 163,000	\$ 163,000	\$ 151,123	\$ (11,877)
Expenditures:				
Public safety	163,000	163,000	150,302	(12,698)
Revenues over (under) expenditures	\$ -	\$ -	\$ 821	\$ 821
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 10,050	\$ 10,050	\$ 11,259	\$ 1,209
Expenditures:				
General government	10,050	10,050	26,655	16,605
Revenues over (under) expenditures	\$ -	\$ -	\$ (15,396)	\$ (15,396)
<u>Critical Area Forestry:</u>				
Revenues:				
Miscellaneous revenues	\$ 2,000	\$ 2,000	\$ 10,560	\$ 8,560
Expenditures:				
Miscellaneous	2,000	2,000	-	(2,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ 10,560	\$ 10,560
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 3,000	\$ 3,000	\$ 3,102	\$ 102
Expenditures:				
General government	3,000	3,000	-	(3,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ 3,102	\$ 3,102

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

YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Emergency Management Grant:</u></b>				
Revenues:				
Intergovernmental revenues	\$ 159,041	\$ 159,041	\$ 135,352	\$ (23,689)
Expenditures:				
Public safety	159,041	159,041	135,352	(23,689)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<b><u>Business &amp; Technology Park Fund:</u></b>				
Revenues:				
Miscellaneous revenues	\$ 57,214	\$ 57,214	\$ -	\$ (57,214)
Expenditures:				
Economic development	57,214	57,214	1,731	(55,483)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,731)	\$ (1,731)
<b><u>Stormwater Facilities:</u></b>				
Revenues:				
Miscellaneous revenues	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Expenditures:				
Public works	10,000	10,000	-	(10,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

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

YEAR ENDED June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Drug Task Force:</u>				
Revenues:				
Miscellaneous revenues	\$ 95,435	\$ 95,435	\$ 62,208	(33,227)
Expenditures:				
Public safety	145,435	145,435	126,726	(18,709)
Other financing sources(uses):				
Transfers in (out)	50,000	50,000	50,000	-
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (14,518)</b>	<b>\$ (14,518)</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS  
YEAR ENDED June 30, 2015

Revenue:	
State-shared taxes	\$ 390,172
Expenditures – public works:	
General administration	345,307
Central shop	620,913
Highways and roads	1,298,332
Debt service	191,637
General services	31,113
Capital road expenditures	1,438,887
Total expenditures – highway users	3,926,189
Excess (deficiency) of revenues over expenditures – highway users	\$ (3,536,017)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2015

		<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance</u> <u>With Final</u> <u>Budget</u>
			<u>Original</u>	<u>Final</u>	
Transcript	\$ 540				
Ridgely Tech Park	10,145				
Fundraising match	25,000				
Clean Chesapeake coalition	6,250				
Operating fund	16,185				
Recode project	9,477				
Fingerprinting equipment	11,403				
		79,000	158,393	158,393	79,393
<b>Total expenditures - Contingency Fund</b>	<b>\$ 79,000</b>	<b>\$ 79,000</b>	<b>\$ 158,393</b>	<b>\$ 158,393</b>	<b>\$ 79,393</b>



# STATISTICAL SECTION

## STATISTICAL SECTION

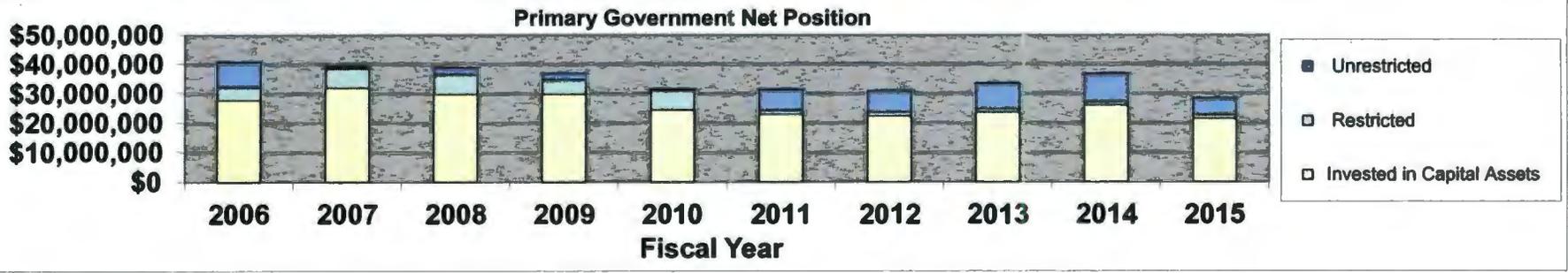
This part of Caroline Counties comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the counties overall financial health.

<u>Category</u>	<u>Schedule #'s</u>
<b>Financial Trends</b> Schedules contain trend information to help the reader understand how the Counties financial performance and well-being have changed over time.	1, 2, 3 & 4
<b>Revenue Capacity</b> Schedules contain information to help the reader assess the Counties most significant local revenue source, property taxes.	5, 6, 7 & 8
<b>Debt Capacity</b> 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.	9,10,11 & 12
<b>Economic and Demographic Information</b> Schedules offer economic and demographic indicators to help the reader understand the environment within which the Counties financial activities take place.	13,14,& 15
<b>Operating Information</b> 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.	16,17,18 & 19

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

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

Years ended June 30,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 27,382,148	\$ 31,588,073	\$ 28,997,031	\$ 28,997,508	\$ 20,726,884	\$ 22,611,390	\$ 22,018,273	\$ 22,400,051	\$ 25,789,169	\$ 21,285,188
Restricted for:										
Capital Projects	3,253,585	5,706,098	5,698,035	3,791,417	5,547,595	-	-	-	-	-
Other Purposes	1,132,562	833,225	957,072	1,045,114	1,103,918	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886
Unrestricted	8,158,698	502,046	1,703,186	1,358,337	(33,962)	6,513,557	6,366,717	7,746,598	8,021,571	4,177,957
<b>Total Government Activities Net Position</b>	<b>\$ 39,926,993</b>	<b>\$ 38,629,442</b>	<b>\$ 37,355,324</b>	<b>\$ 35,192,376</b>	<b>\$ 27,344,435</b>	<b>\$ 30,401,341</b>	<b>\$ 29,647,719</b>	<b>\$ 31,369,144</b>	<b>\$ 35,004,611</b>	<b>\$ 26,651,031</b>
<b>Business-type Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 357,812	\$ 379,187	\$ 788,442	\$ 786,170	\$ 3,633,900	\$ 335,514	\$ 345,023	\$ 1,194,728	\$ 240,041	\$ 257,360
Unrestricted	178,731	159,179	351,383	610,117	211,922	334,353	606,197	671,536	1,167,628	1,329,005
<b>Total Business-type Activities Net Position</b>	<b>\$ 536,543</b>	<b>\$ 538,366</b>	<b>\$ 1,139,825</b>	<b>\$ 1,396,287</b>	<b>\$ 3,845,822</b>	<b>\$ 669,867</b>	<b>\$ 951,220</b>	<b>\$ 1,866,264</b>	<b>\$ 1,407,669</b>	<b>\$ 1,586,365</b>
<b>Primary Government</b>										
Invested in Capital Assets	\$ 27,739,960	\$ 31,967,260	\$ 29,785,473	\$ 29,783,678	\$ 24,360,784	\$ 22,946,904	\$ 22,363,296	\$ 23,594,779	\$ 26,029,210	\$ 21,542,548
Net of Related Debt										
Restricted	4,386,147	6,539,323	6,655,107	4,836,531	6,651,513	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886
Unrestricted	8,337,429	661,225	2,054,569	1,968,454	177,960	6,847,910	6,972,914	8,418,134	9,189,199	5,506,962
<b>Total Primary Government Net Position</b>	<b>\$ 40,463,536</b>	<b>\$ 39,167,808</b>	<b>\$ 38,495,149</b>	<b>\$ 36,588,663</b>	<b>\$ 31,190,257</b>	<b>\$ 31,071,208</b>	<b>\$ 30,598,939</b>	<b>\$ 33,235,408</b>	<b>\$ 36,412,280</b>	<b>\$ 28,237,396</b>



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

Years ended June 30,	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
<b>Government Activities:</b>										
General Government	\$ 5,506,575	\$ 4,848,675	\$ 5,807,431	\$ 6,372,040	\$ 5,693,667	\$ 5,628,953	\$ 6,845,879	\$ 6,157,331	\$ 5,589,617	\$ 5,463,688
Public Safety	11,043,054	12,019,174	12,625,257	13,007,213	12,775,201	13,031,198	13,214,384	13,784,479	13,339,410	13,557,853
Public Works	5,636,041	5,876,260	5,964,220	5,870,164	5,277,671	4,908,094	4,573,494	4,142,162	4,057,284	4,219,727
Health	844,006	945,008	1,049,262	1,022,864	962,574	621,859	456,265	454,796	452,838	452,838
Social Services	836,128	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129	133,412	131,212	135,638	138,128
Primary Education	11,963,391	15,456,631	14,641,010	13,103,740	16,619,350	13,498,500	14,109,214	13,497,885	13,416,327	15,739,948
Secondary Education	1,215,455	1,609,472	1,634,409	1,398,888	1,872,085	1,413,551	1,434,573	1,429,541	2,958,503	1,436,220
Recreation and Culture	836,065	918,560	1,147,308	1,371,773	1,203,622	1,153,486	1,172,538	1,373,010	1,356,787	1,337,703
Library	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000	1,135,477
Conservation of Natural	541,547	1,640,418	1,282,299	1,624,572	477,288	765,874	336,609	337,131	175,454	180,296
Economic Development	505,092	351,676	387,535	1,305,488	311,172	357,460	1,172,532	1,349,254	446,998	512,050
Public Housing	506,949	480,874	593,925	403,937	483,684	315,255	-	6,000	6,000	6,000
Interest on Long Term Debt	863,417	988,540	1,183,589	1,288,655	1,042,954	1,435,458	1,118,515	1,048,293	992,355	1,028,383
<i>Total Government Activities Expenses</i>	<u>41,653,220</u>	<u>48,043,403</u>	<u>49,270,048</u>	<u>49,470,875</u>	<u>49,060,305</u>	<u>45,496,817</u>	<u>45,678,465</u>	<u>44,820,269</u>	<u>44,041,211</u>	<u>45,208,311</u>
<b>Business-type Activities</b>										
Broadband supply	-	11,040	26,406	101,000	156,337	114,178	140,066	178,451	173,482	168,411
Interest on Long Term Debt -HAPS Building	172,013	166,073	159,761	153,203	147,446	-	-	-	-	-
Health and Public Service	274,685	293,033	329,295	314,953	334,437	-	-	-	-	-
Recreation	645,659	684,407	733,518	694,240	759,223	619,732	681,819	495,678	445,607	525,511
Public Works	508,587	611,436	804,193	585,571	581,872	755,518	814,760	826,306	819,952	644,655
Basic Life Support	316,915	364,825	410,995	382,184	542,224	517,036	531,269	572,597	425,067	650,905
<i>Total Business-type Activities Expense</i>	<u>1,917,859</u>	<u>2,130,814</u>	<u>2,464,168</u>	<u>2,231,151</u>	<u>2,521,539</u>	<u>2,006,464</u>	<u>2,167,914</u>	<u>2,073,032</u>	<u>1,864,108</u>	<u>1,989,482</u>
<i>Total Primary Government Expenses</i>	<u>43,571,079</u>	<u>50,174,217</u>	<u>51,734,216</u>	<u>51,702,026</u>	<u>51,581,844</u>	<u>47,503,281</u>	<u>47,846,379</u>	<u>46,893,301</u>	<u>45,905,319</u>	<u>47,197,793</u>

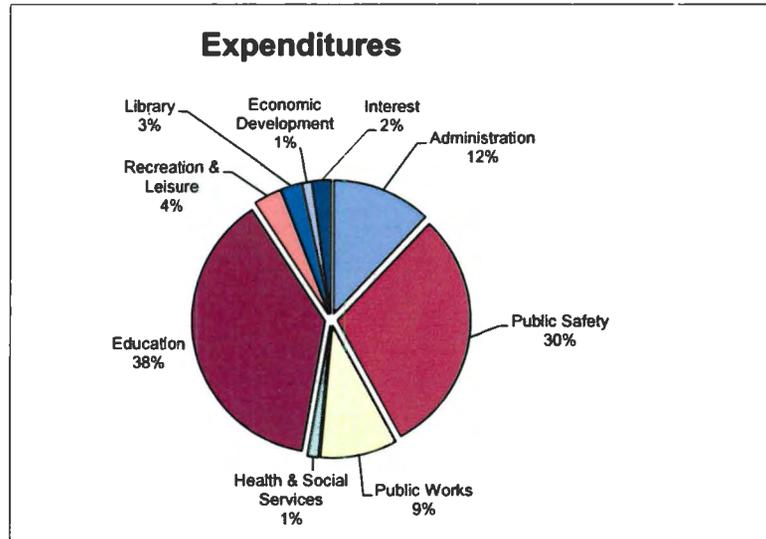
**Caroline County, Maryland**  
**Changes in Net Position**  
**Last Ten Years**  
**(accrual basis of accounting)**  
**Schedule 2**

Years ended June 30,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
General Government	\$ 333,377	\$ 585,852	\$ 550,340	\$ 595,842	\$ 791,199	\$ 745,765	\$ 1,620,463	\$ 1,830,440	\$ 1,741,265	\$ 1,732,191
Public Safety	2,176,836	2,398,251	2,166,655	2,238,088	1,563,683	1,591,734	1,434,151	2,076,878	2,081,724	1,723,674
Public Works	4,996,801	4,470,889	4,663,886	3,708,693	669,237	1,118,952	855,996	693,388	984,496	712,602
Health	29,219		37,557	33,082	44,993	48,413	243	196	137	117
Social Services	623,790	1,112,316	1,077,441	951,127	1,508,785	1,117,280		7,258	536	932
Recreation and Culture	299,351	865,305	1,034,659	827,335	197,013	900,348	175,116	164,911	510,942	321,945
Library	-	141,539	-	-	-	-	-	-	5,500	-
Conservation of Natural Resources	332,087	104,298	166,778	154,706	240,903	331,508	164,866	176,201	130	74,178
Economic Development	292,398	823,059	766,205	1,674,404	266,154	133,372	1,071,275	1,090,517	285,469	253,119
Public Housing	392,202	356,772	504,416	393,834	455,943	296,401	-	-	-	-
Interest	16,326	14,743	6,636	11,278	9,365	7,410	-	-	-	-
<b>Total Government Activities Program Revenues</b>	<b>9,492,387</b>	<b>10,873,024</b>	<b>10,974,573</b>	<b>10,588,389</b>	<b>5,747,275</b>	<b>6,291,183</b>	<b>5,322,110</b>	<b>6,039,789</b>	<b>5,610,199</b>	<b>4,818,758</b>
<b>Business-type Activities</b>										
<b>Charges for Service</b>										
Jonestown	-	-	-	-	-	-	-	791,440	-	-
Broadband	-	-	56,784	181,160	152,586	171,450	219,169	228,248	229,222	230,235
Health and Public Service	387,787	385,597	526,558	498,215	482,358	-	-	-	-	-
Recreation	238,578	245,766	200,936	200,295	159,194	173,827	167,309	184,591	188,985	580,264
Public Works	557,967	632,134	829,427	644,480	648,923	790,680	863,618	870,044	891,077	717,510
Basic Life Support	758,281	909,357	1,028,941	1,063,760	1,145,963	1,150,699	1,407,294	1,343,084	1,409,423	1,419,113
Operating Grants-Recreation	387,741	421,680	534,603	518,977	617,019	519,800	467,053	339,869	285,070	-
Net Transfers in					1,765,031	(3,975,947)	(675,176)	(769,200)	(1,598,264)	(778,944)
<b>Total Business-type Activities Revenue</b>	<b>2,330,354</b>	<b>2,594,534</b>	<b>3,177,249</b>	<b>3,106,887</b>	<b>4,971,074</b>	<b>(1,169,491)</b>	<b>2,449,267</b>	<b>2,988,076</b>	<b>1,405,513</b>	<b>2,168,178</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(32,160,833)	(37,170,379)	(38,295,475)	(38,882,486)	(43,313,030)	(39,205,634)	(40,356,355)	(38,780,480)	(38,431,012)	(40,389,553)
Business-type Activities	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696
	<b>(31,748,338)</b>	<b>(36,706,659)</b>	<b>(37,582,394)</b>	<b>(38,006,750)</b>	<b>(40,863,495)</b>	<b>(42,381,589)</b>	<b>(40,075,002)</b>	<b>(37,865,436)</b>	<b>(38,889,607)</b>	<b>(40,210,857)</b>

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

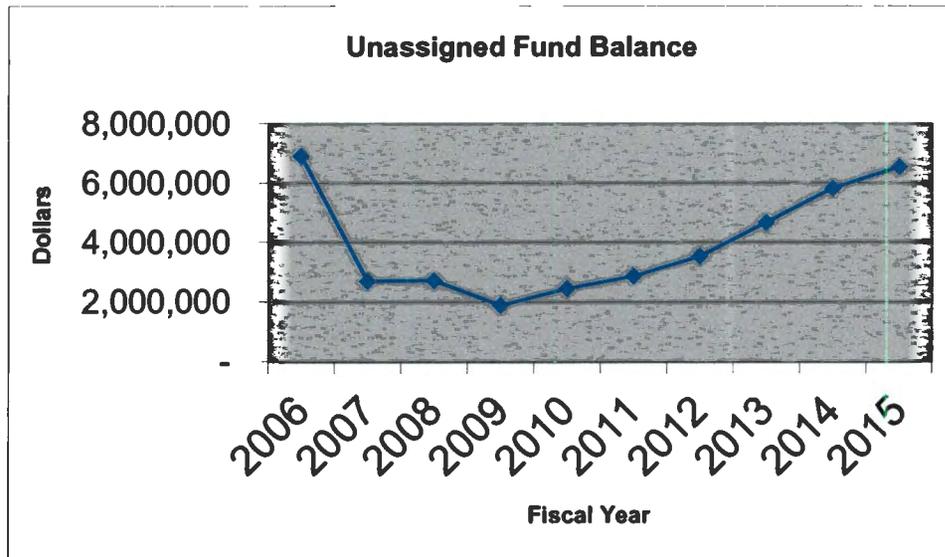
Years ended June 30,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and other Changes in Net Position</b>										
<b>Government Activities</b>										
Property Taxes	\$ 16,500,112	\$ 17,775,491	\$ 19,369,182	\$ 21,320,919	\$ 23,245,019	\$ 23,892,084	\$ 23,932,023	\$ 24,106,972	\$ 24,718,235	\$ 24,922,043
Other Taxes	17,048,496	14,740,674	15,082,888	12,293,573	11,831,008	12,323,263	12,489,087	12,948,765	13,056,195	14,722,998
Operating Grants Unrestricted	1,889,377	1,838,418	1,912,848	2,253,325	2,131,782	2,131,782	2,486,371	2,656,463	2,677,520	2,700,488
Other	587,672	1,056,348	544,817	232,447	22,311	(60,536)	20,076	20,505	16,265	16,546
Net Transfers out	-	-	-	-	(1,765,031)	3,975,947	675,176	769,200	1,598,264	778,944
<b>Total Government Activities/Primary Government</b>	<b>36,025,657</b>	<b>35,410,931</b>	<b>36,909,735</b>	<b>38,100,264</b>	<b>35,465,089</b>	<b>42,262,540</b>	<b>39,602,733</b>	<b>40,501,905</b>	<b>42,066,479</b>	<b>43,141,019</b>
<b>Change in Net Position</b>										
Governmental Activities	3,864,824	(1,759,448)	(1,385,740)	(2,782,222)	(7,847,941)	3,056,906	(753,622)	1,721,425	3,635,467	2,751,466
Business-type Activities	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696
	<b>\$ 4,277,319</b>	<b>\$ (1,295,728)</b>	<b>\$ (672,659)</b>	<b>\$ (1,906,486)</b>	<b>\$ (5,398,406)</b>	<b>\$ (119,049)</b>	<b>\$ (472,269)</b>	<b>\$ 2,636,469</b>	<b>\$ 3,176,872</b>	<b>\$ 2,930,162</b>

\* 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,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Non-Spendable	\$ 292,799	\$ 339,754	\$ 337,676	\$ 247,230	\$ 235,828	\$ 245,951	\$ 196,238	\$ 249,857	\$ 299,395	\$ 192,940
Committed	2,620,568	2,530,837								
Assigned										600,000
Unassigned	6,912,734	2,700,375	2,721,888	1,895,700	2,448,436	2,865,037	3,542,706	4,676,874	5,822,858	6,539,975
<b>Total General Fund</b>	<b>9,826,101</b>	<b>5,570,966</b>	<b>3,059,564</b>	<b>2,142,930</b>	<b>2,684,264</b>	<b>3,110,988</b>	<b>3,738,944</b>	<b>4,926,731</b>	<b>6,122,253</b>	<b>7,332,915</b>
<b>All Other Governmental Funds</b>										
Non-Spendable										
Restricted	949,068	1,023,801	1,082,717	1,143,559	1,248,452	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886
Committed	4,714,919	10,444,693	10,939,281	4,308,915	6,017,730	4,599,070	2,360,885	1,922,985	1,708,100	6,559,499
Assigned	5,460	2,734	(1,154)	92,630	84,962	83,595	93,166	614,898	607,011	611,952
Unassigned	-	-	-	-	-	-	(5,433)	(1,130)	(15,953)	(11,445)
	5,669,447	11,471,228	12,020,844	5,545,104	7,351,144	5,959,059	3,711,347	3,759,248	3,493,029	8,347,892
<b>Total</b>	<b>\$ 15,495,548</b>	<b>\$ 17,042,194</b>	<b>\$ 15,080,408</b>	<b>\$ 7,688,034</b>	<b>\$ 10,035,408</b>	<b>\$ 9,070,047</b>	<b>\$ 7,450,291</b>	<b>\$ 8,685,979</b>	<b>\$ 9,615,282</b>	<b>\$ 15,680,807</b>



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

Years ended June 30,	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Property and Other Taxes	\$ 37,645,809	\$ 37,662,996	\$ 38,507,631	\$ 37,488,775	\$ 35,450,102	\$ 36,765,070	\$ 36,772,497	\$ 37,578,610	\$ 38,173,979	\$ 40,192,176
License and Permits	386,611	320,565	249,699	221,860	210,479	184,961	166,588	154,031	156,690	186,241
Intergovernmental Revenues	5,398,531	6,242,048	6,775,156	7,532,541	5,799,175	6,262,265	5,703,158	5,819,962	6,048,780	5,049,509
Charges for Services	1,094,080	1,314,655	1,191,743	885,550	768,966	722,778	793,343	862,590	798,694	841,228
Miscellaneous Revenues	1,076,445	1,626,755	1,189,469	888,268	855,322	738,248	663,647	1,357,301	754,707	757,262
<b>Total Revenues</b>	<b>45,601,476</b>	<b>47,167,019</b>	<b>47,913,698</b>	<b>47,016,994</b>	<b>43,084,044</b>	<b>44,673,322</b>	<b>44,099,233</b>	<b>45,772,494</b>	<b>45,932,850</b>	<b>47,026,416</b>
<b>Expenditures</b>										
General Government	4,999,470	5,365,478	5,681,450	5,428,556	5,060,521	4,726,364	5,440,074	5,132,124	5,131,536	5,861,027
Public Safety	10,912,304	11,359,999	12,621,617	12,593,790	11,989,750	11,884,025	12,262,522	13,258,479	13,906,231	13,808,138
Public Works	7,078,708	12,159,873	6,897,667	4,893,641	4,122,881	5,413,760	4,956,421	3,776,908	4,677,853	4,978,910
Health	688,233	818,872	907,222	902,434	840,934	540,151	452,838	452,838	452,838	452,838
Social Services	217,338	266,635	297,356	305,414	212,422	138,028	133,412	131,212	135,638	138,128
Primary Education	11,959,891	15,456,632	14,641,010	13,103,740	16,619,350	13,498,500	13,927,127	13,497,885	13,416,327	15,739,948
Secondary Education	1,250,027	1,645,222	1,671,394	1,441,101	1,915,590	1,458,291	1,480,604	1,481,864	3,012,118	1,527,319
Public Library	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000	1,135,477
Recreation and Parks	933,342	2,041,221	3,408,317	2,330,004	1,164,373	881,535	878,614	1,070,951	1,382,727	1,193,178
Arts	6,500	9,000	12,500	12,500	5,000	5,000	5,000	5,000	5,000	5,000
Conservation of Natural Resource	506,734	607,013	457,349	477,058	334,911	313,533	290,726	291,248	129,571	134,413
Housing Rehabilitation	77,468	106,465	100,751	105,283	33,457	11,725	-	6,000	6,000	6,000
Economic Development	1,661,733	2,992,539	3,538,531	2,652,025	2,138,818	1,825,055	1,317,532	1,349,254	446,998	495,865
Intergovernmental-Local	3,090	3,090	3,090	3,090	3,090	3,090	-	-	-	-
Historical	3,500	5,500	6,000	5,000	4,000	-	-	-	-	-
Contingency	143,914	60,942	28,074	27,837	46,407	52,253	40,863	193,950	26,837	79,000
Town Planning Grants	8,500	8,500	8,500	8,500	8,500	8,500	-	-	-	-
Capital Outlay	205,448	168,730	69,743	12,435	61,946	9,588	-	-	-	-
Miscellaneous	321,095	1,532,882	1,167,281	1,573,899	494,416	507,485	-	-	-	-
Debt Service										
Principal	1,686,230	2,268,181	2,185,576	2,459,259	7,342,721	6,235,600	3,081,118	2,558,000	2,399,000	2,509,085
Interest and Fiscal Charges	864,192	1,070,524	1,256,492	1,293,060	1,259,115	1,485,758	1,118,515	1,048,293	992,355	1,028,383
<b>Total Expenditures</b>	<b>44,883,217</b>	<b>59,491,368</b>	<b>56,544,020</b>	<b>51,078,626</b>	<b>54,858,202</b>	<b>50,098,241</b>	<b>46,496,416</b>	<b>45,363,181</b>	<b>47,235,029</b>	<b>49,092,709</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>718,259</b>	<b>(12,324,349)</b>	<b>(8,630,322)</b>	<b>(4,061,632)</b>	<b>(11,774,158)</b>	<b>(5,424,919)</b>	<b>(2,397,183)</b>	<b>409,313</b>	<b>(1,302,179)</b>	<b>(2,066,293)</b>

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

Years ended June 30,	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Other Financing Sources (Uses)</b>										
Note Issued Chesapeake College \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520,000	\$ -
Sale of Capital Assets	58,332	898,080	47,956	6,151	811	19,987	65,935	-	-	-
Bond Premium	-	84,086	1,636	-	-	-	-	-	-	135,446
Proceeds of Long Term Debt	-	12,475,000	6,600,000	-	16,042,529	3,736,000	-	-	-	7,300,000
Transfers In	4,027,508	7,251,218	3,522,357	801,776	7,435,261	935,463	-	-	-	778,944
Transfers Out	(3,725,795)	(6,882,753)	(3,500,045)	(4,059,491)	(9,346,919)	(265,570)	759,675	769,200	696,068	-
<i>Total Other Financing Sources (Uses)</i>	<u>360,045</u>	<u>13,825,631</u>	<u>6,671,904</u>	<u>(3,251,564)</u>	<u>14,131,682</u>	<u>4,425,880</u>	<u>825,610</u>	<u>769,200</u>	<u>2,216,068</u>	<u>8,214,390</u>
<b>Net Change in Fund Balance</b>	<b>\$ 1,078,304</b>	<b>\$ 1,501,282</b>	<b>\$ (1,958,418)</b>	<b>\$ (7,313,196)</b>	<b>\$ 2,357,524</b>	<b>\$ (999,039)</b>	<b>\$ (1,571,573)</b>	<b>\$ 1,178,513</b>	<b>\$ 913,889</b>	<b>\$ 6,148,097</b>
Debt Service as a Percentage of Non Capital Expenditures (1)	6.3%	6.9%	7.1%	7.8%	16.3%	15.8%	9.4%	8.2%	7.9%	7.7%

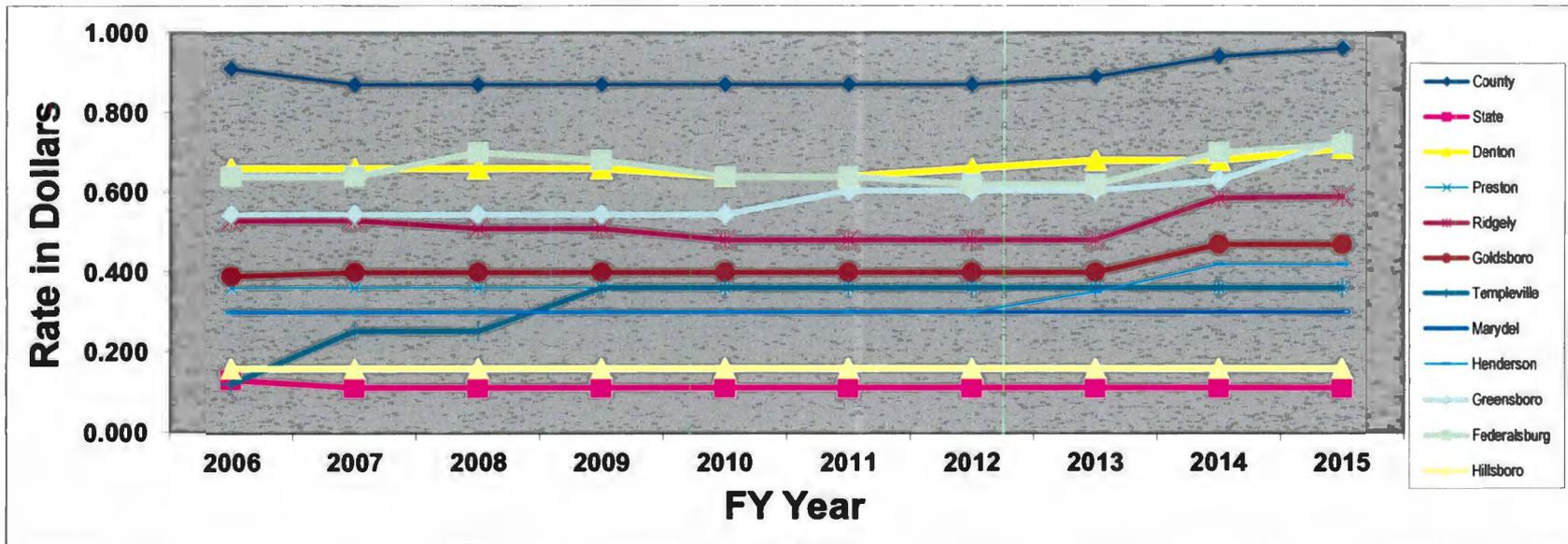
Notes  
(1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

**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
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
2014	0.940	0.112	0.680	0.360	0.586	0.470	0.360	0.300	0.420	0.630	0.700	0.160
2015	0.960	0.112	0.710	0.360	0.590	0.470	0.360	0.300	0.420	0.730	0.720	0.160

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



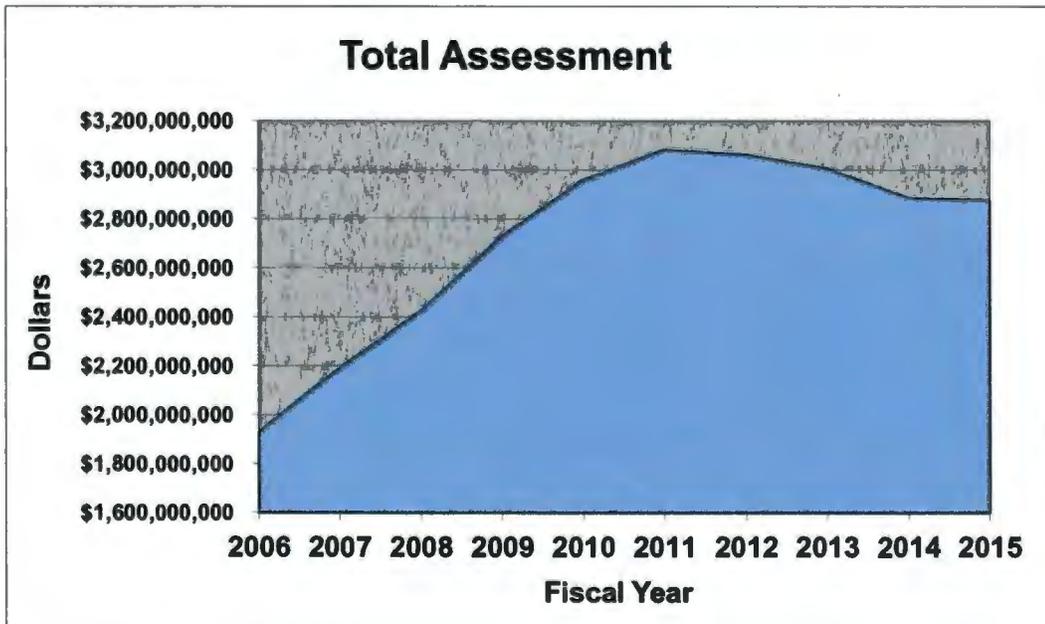
**Caroline County, Maryland**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**Schedule 6**

<b>Fiscal Year Ending June 30</b>	<b>Real Property Assessed Value</b>	<b>Exempt Property</b>	<b>Real Property Total Assessed Value</b>	<b>Total Direct Tax Rate(1)</b>	<b>Personal Prop Assessed Value(2)</b>	<b>Corp &amp; Utility Assessed Value</b>	<b>Total Assessed Value</b>
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
2014	\$ 2,514,718,787	\$ 309,696,540	\$2,824,415,327	0.940	\$ -	\$ 59,311,970	\$2,883,727,297
2015	\$ 2,489,098,343	\$ 328,399,895	\$2,817,498,238	0.960	\$ -	\$ 58,873,700	\$2,876,371,938

Source: Maryland State Department of Assessments and Taxation.

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

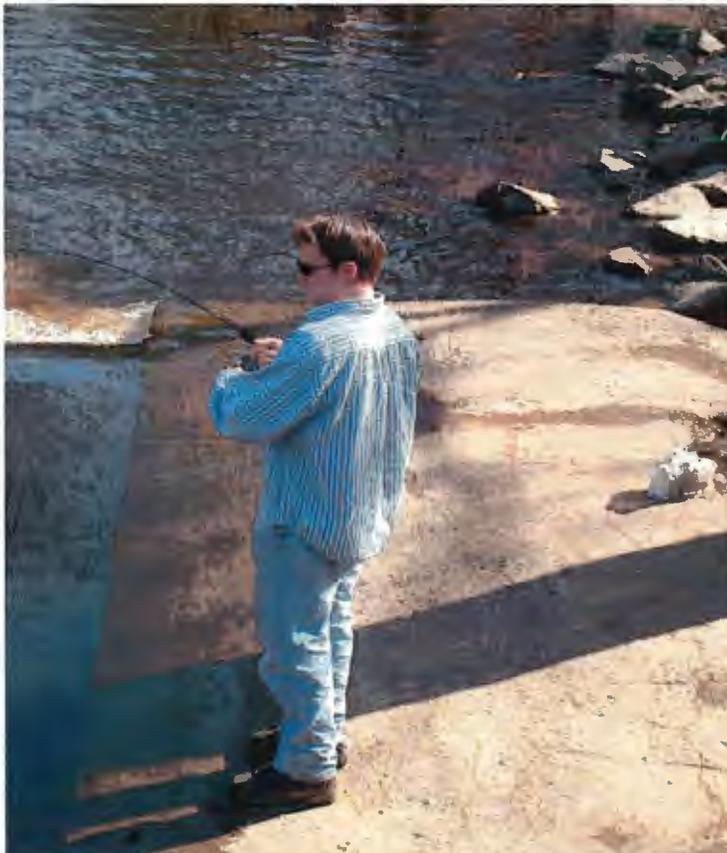
(2) Personal Property was phased out over a three year period ending in FYE June 2007



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

<b>Fiscal Year Ending June 30</b>	<b>Total Tax Levy</b>	<b>Current Year Taxes Collected in Year of Levy</b>	<b>% of Levy Collected During Year</b>	<b>Collected in Subsequent Years</b>	<b>Total Collections</b>	<b>% of Current Year Taxes Collected Current &amp; Prior</b>
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%	\$ 23,250	\$ 19,116,660	99.9%
2009	\$21,140,313	\$ 21,111,314	99.86%	\$ 20,282	\$ 21,131,596	100.0%
2010	\$22,864,872	\$ 22,818,426	99.80%	\$ 37,551	\$ 22,855,977	100.0%
2011	\$23,648,637	\$ 23,588,002	99.74%	\$ 46,065	\$ 23,634,067	99.9%
2012	\$23,790,344	\$ 23,729,788	99.75%	\$ 34,450	\$ 23,764,238	99.9%
2013	\$23,977,024	\$ 23,921,365	99.77%	\$ 17,465	\$ 23,938,830	99.8%
2014	\$24,557,950	\$ 24,469,016	99.64%	\$ -	\$ 24,469,016	99.6%
2015	\$24,806,792	\$ 24,704,319	99.59%	\$ -	\$ 24,704,319	99.6%

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, 2015**  
**Schedule 8**

Tax Year		2004	2014	2004	2014	% of Total
Taxpayer	Type of Business	Assessed Valuation	Assessed Valuation	Tax	Tax	Tax Levy
Choptank Electric	Electric Power	\$ 14,686,920	\$ 28,726,223	\$ 349,548	\$ 672,543	2.71%
Delmarva Power and Light	Electric Power	\$ 357,575	\$ 24,410,840	\$ 357,574	\$ 584,290	2.36%
Verizon Maryland	Telephone utility	\$ 14,255,320	\$ 6,741,940	\$ 339,276	\$ 161,807	0.65%
Walmart	Retail Store		\$ 15,412,400		\$ 138,712	0.56%
Istar SCC Distribution	Cups and containers	\$ 6,607,492	\$ 12,211,600	\$ 65,069	\$ 108,683	0.44%
East Star, LLC	Excavating	\$ 4,145,270	\$ 8,169,400	\$ 40,128	\$ 78,323	0.32%
Burriss Foods, Inc	Transport of refrigerated food products	\$ 8,828,624	\$ 6,476,100	\$ 92,852	\$ 62,171	0.25%
H&M Bay, Inc	Refrigerated trucking	\$ 5,225,026	\$ 6,929,000	\$ 56,218	\$ 61,668	0.25%
Provident State Bank	Banking Industry		\$ 6,470,800		\$ 60,130	0.24%
Federalsburg Terminal	Trucking	\$ 5,645,772	\$ 5,696,800	\$ 47,004	\$ 50,702	0.20%

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

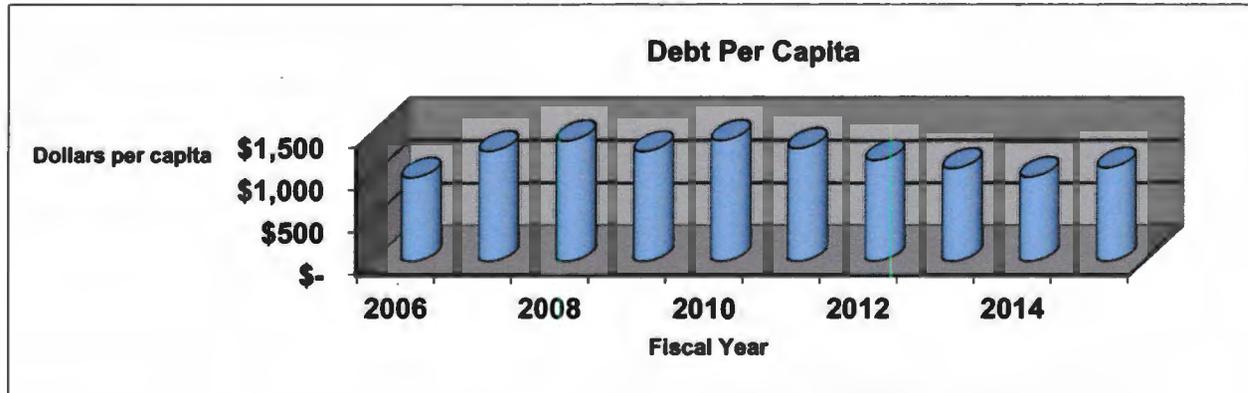


**Caroline County, Maryland**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Years**  
**Schedule 9**

Year June 30,	Governmental Activities							Business-type Activities	Primary Government TOTAL	Total Debt to Personal Income (1)	Total Debt Per Capita(1)
	General Obligation Bonds	CDA Town (2)	MILA Loans	State Loans	Capital Loans	DHCD Loans	Total	MEDCO Loan (2)			
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
2014	\$ 25,918,000	\$ -	\$ -	\$ 3,057,529	\$ 1,821,219	\$ 2,530,583	\$ 33,327,331	\$ -	\$ 33,327,331	2.91%	\$ 980
2015	\$ 30,708,915	\$ -	\$ -	\$ 3,057,529	\$ 1,730,120	\$ 2,530,583	\$ 38,027,147	\$ -	\$ 38,027,147	3.20%	\$ 1,086

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

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



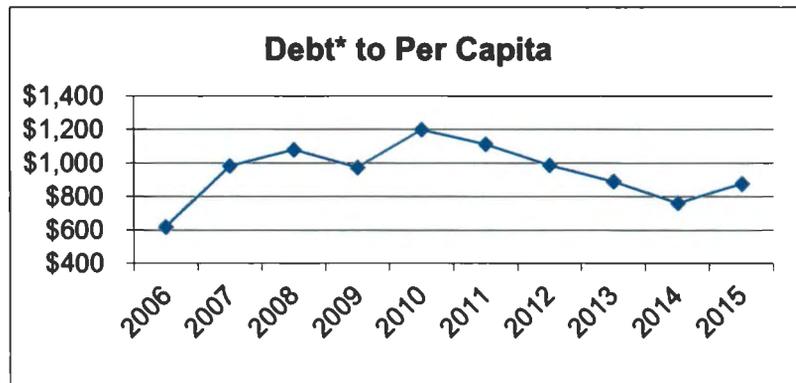
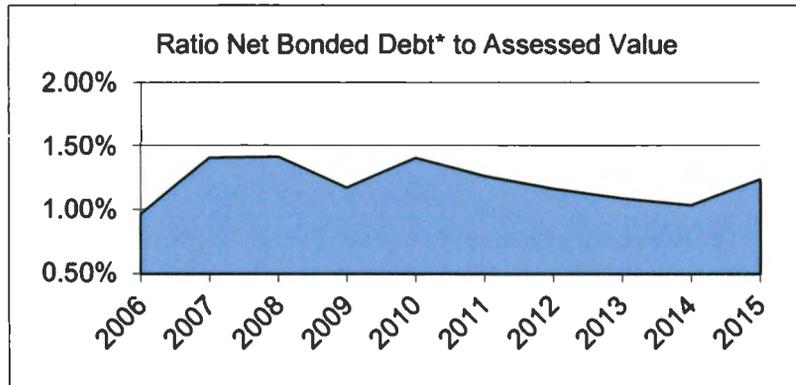
**Caroline County, Maryland**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Years**  
**Schedule 10**

Year June 30,	General Bonded Debt	(1) Assessed Value	(2) Per Capita	Ratio Net Bonded Debt* to Assessed Value	Debt* to Per Capita
2006	\$ 16,180,559	\$ 1,683,578,642	\$ 26,111	0.96%	\$ 620
2007	\$ 27,130,185	\$ 1,937,403,404	\$ 27,603	1.40%	\$ 983
2008	\$ 30,577,071	\$ 2,168,863,864	\$ 28,303	1.41%	\$ 1,080
2009	\$ 28,150,843	\$ 2,410,033,590	\$ 28,904	1.17%	\$ 974
2010	\$ 36,455,718	\$ 2,604,398,489	\$ 30,389	1.40%	\$ 1,200
2011	\$ 33,956,118	\$ 2,699,834,799	\$ 30,527	1.26%	\$ 1,112
2012	\$ 30,875,000	\$ 2,663,868,995	\$ 31,282	1.16%	\$ 987
2013	\$ 28,317,000	\$ 2,611,863,442	\$ 31,834	1.08%	\$ 890
2014	\$ 25,918,000	\$ 2,514,718,787	\$ 33,990	1.03%	\$ 763
2015	\$ 30,708,915	\$ 2,489,098,343	\$ 35,015	1.23%	\$ 877

\* 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

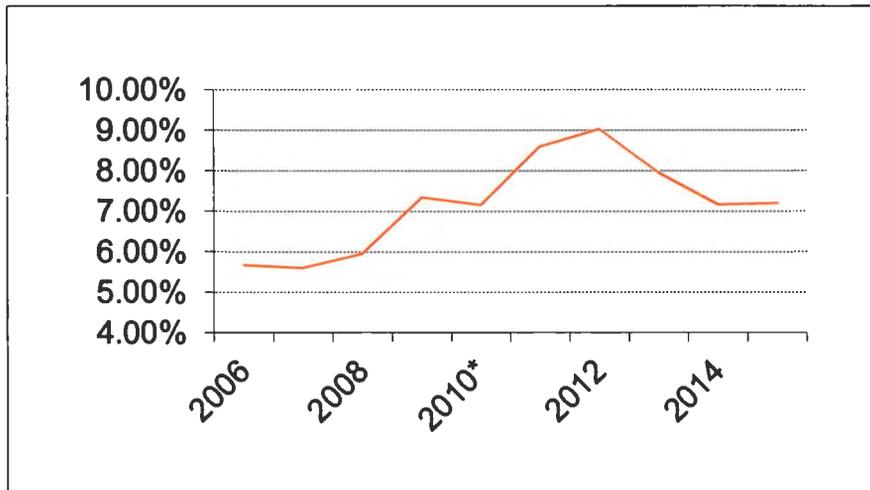


**Caroline County, Maryland**  
**Ratio of Annual Debt Service to Total Government Expenditures**  
**Last Ten Years**  
**Schedule 11**

Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
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%
2014	\$ 2,399,000	\$ 992,355	\$ 3,391,355	\$ 47,235,029	7.18%
2015	\$ 2,509,085	\$ 1,028,383	\$ 3,537,468	\$ 49,092,709	7.21%

\*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, 2015**  
**Schedule 12**

Political Subdivision	Debt Outstanding	Percentage Applicable To County*	Amount Applicable To County
Caroline County Direct Debt	\$ 30,708,915	100.00%	\$ 30,708,915
	<u>30,708,915</u>		<u>30,708,915</u>
Caroline County Library	-	100.00%	-
Caroline County Board of Education	4,608,962	100.00%	4,608,962
Town of Denton	4,551,965	100.00%	4,551,965
Town of Federalsburg	2,616,738	100.00%	2,616,738
Town of Greensboro	445,746	100.00%	445,746
Town of Ridgely Indirect Debt	702,843	100.00%	702,843
	<u>12,926,254</u>		<u>12,926,254</u>
<b>TOTAL</b>	<u>\$ 43,635,169</u>		<u>\$ 43,635,169</u>

\* Percentage determined by dividing the assessed value of the political subdivision within the County by the total assessed valuation of the subdivisions. The valuation used is for the Tax Year 2015

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

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

Year	Population (1)	Personal Income per 1000 (1)(5)	Per Capita Income (1)(3)	High School Graduates (2)(8)	School Enrollment (2)(6)(9)	Labor Force(4)(7)	Employment (4)(7)	Unemployment (4)(7)	Unemployment Rate (7)	Median Age (3)
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	8.2%	38.7
2014	33,733	1,146,599	33,990	362	5,636	17,121	15,928	1193	7.0%	38.7
2015	33,900	1,187,009	35,015	397	5,310	17,966	16,937	1,029	5.7%	39.0

Source:

- (1) Bureau of Economic Analysis, US Department of Commerce as of April 2012; Maryland Department of Planning 2015
- (2) Caroline County Public Schools-Total Enrollment PK-12 fiscal Year, 2013 Educational Facilities Master Plan
- (3) Maryland Department of Business & Economic Development Brief Economic Outlook Caroline County 2011-2013  
<http://business.maryland.gov/Documents/ResearchDocument/CarolineBef.pdf>
- (4) Monthly Labor Review, June 12 Maryland Department of Labor, Licensing and Regulation. State of Maryland, Civilian Labor Force, Employment, and Unemployment by place of residence  
<http://www.bea.gov/iTable/iTable.cfm>  
<http://www.dlrr.state.md.us/lmi/>
- (5) Caroline County Bearfacts 2011 &
- (6) [http://planning.maryland.gov/msdc/schenroll/k-12\\_total.pdf](http://planning.maryland.gov/msdc/schenroll/k-12_total.pdf)
- (6) [http://www.mdp.state.md.us/msdc/School\\_Enrollment/Table2.pdf](http://www.mdp.state.md.us/msdc/School_Enrollment/Table2.pdf)
- (7) source: <http://www.dlrr.state.md.us/lmi/laus/lauscounties.shtml> June 2015
- (8) <http://www.mdreportcard.org/Graduation.aspx?K=05AAAA>
- (9) [http://planning.maryland.gov/msdc/School\\_Enrollment/PublicSchoolEnrollmentProjection\\_2014\\_forView.pdf](http://planning.maryland.gov/msdc/School_Enrollment/PublicSchoolEnrollmentProjection_2014_forView.pdf)



**Caroline County, Maryland**  
**Major Employers FYE 6/30/2015**  
**Schedule 14**

<b>Firm</b>	<b>Product/Service</b>	<b>Employment</b>	<b>Percent of Caroline County Employment</b>
Caroline County Board of Education	Government	861	5.08%
Solo Cup	Cups and containers	567	3.35%
Benedictine School	Private School for exceptional children	400	2.36%
WalMart	Department Store/Groceries	291	1.72%
Caroline County	Government	234	1.38%
Choptank Transport	Refrigerated trucking	199	1.17%
H&M Bay	Refrigerated trucking	135	0.80%
Caroline Nursing Home	Nursing care	130	0.77%
Envoy Health Care	Medical Services	105	0.62%
Medifast-Jason Pharmaceuticals Inc	Food Diet Industry	100	0.59%

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 6/2005**

<b>Firm</b>	<b>Product/Service</b>	<b>Employment</b>	<b>Percent of Caroline County Employment</b>
Caroline County Board of Education	Government	777	4.87%
Solo Cup	Cups and containers	686	4.30%
Caroline County	Government	211	1.32%
Choptank Electric Cooperative	Electric Power	182	1.14%
Tri Gas & Oil	Metered gas, fuel oil, appliances	160	1.00%
Burris Refrigerated Services	Transport of refrigerated food products	136	0.85%
H&M Bay	Refrigerated trucking	125	0.78%
Hanover Foods	Processed vegetables	110	0.69%
Maryland Plastics	Plastic tableware	108	0.68%
Yale Sportswear	Active wear	96	0.60%

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

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

<u>Year</u>	(1) <u>Bank Deposits</u> <u>(dollars in Millions)</u>	(2) <u>Avg Sale Price</u> <u>for a Single Family Home</u>	(3) <u>Total Assessed Property Value</u>
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
2013	370	153,962	2,824,415,327
2014	370	151,408	2,817,498,238

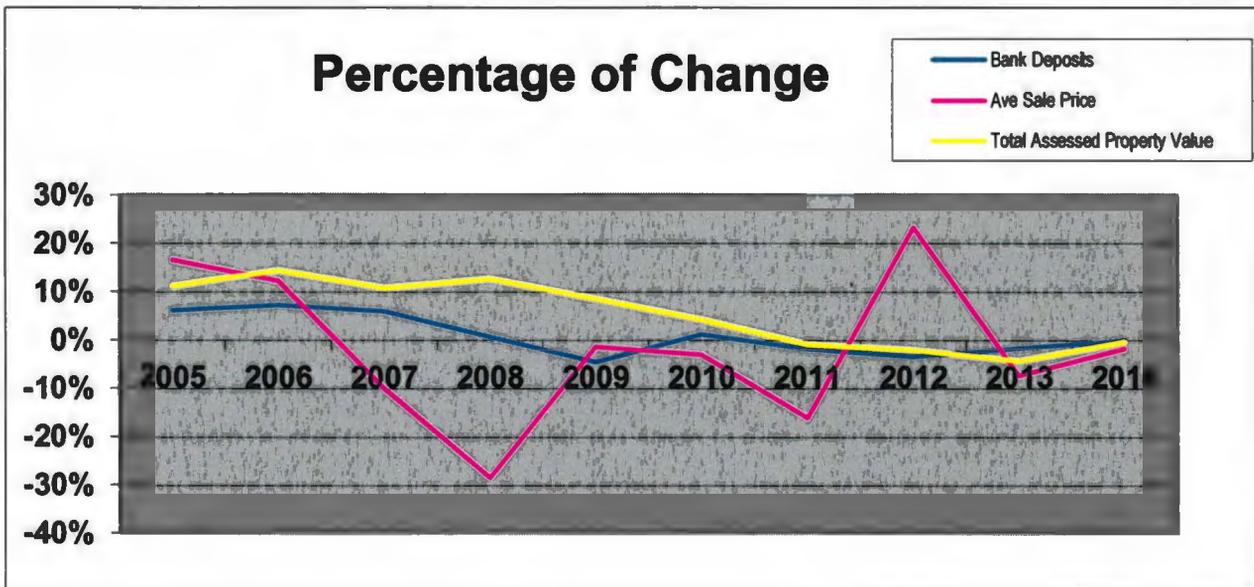
Source:

(1) Federal Deposit Insurance Corporation Web Site

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

(2) [http://www.getsmartcharts.com/statistics#caroline\\_county\\_md\\_county/reports](http://www.getsmartcharts.com/statistics#caroline_county_md_county/reports)

(3) Caroline County Tax Office-includes exempt property



**Caroline County, Maryland**  
**Building Permits (Unincorporated Areas)**  
**Calendar Years 2005 - 2014 (Unaudited)**  
**Schedule 16**

Types	2005		2006		2007		2008		2009		2010		2011	
	Number Permits	Value	Number Permits	Value										
Homes	130	\$22,799,992	105	\$18,033,968	75	\$15,652,684	60	\$10,198,667	27	\$4,205,153	45	\$5,716,254	22	\$3,237,000
Accessory Dwellings	2	83,000	4	155,870	4	145,000	0		0		2	200,000	1	\$55,000
Accessory Structures	237	3,817,617	221	3,441,297	217	4,046,437	161	3,047,108	79	1,162,733	81	1,465,340	40	\$537,030
Additions	145	4,039,243	127	4,012,604	115	2,685,481	79	2,333,022	54	1,305,053	43	637,636	32	\$1,190,508
Comm/Industrial & Institutional	19	10,189,850	10	5,509,050	7	426,100	8	21,775,000	9	1,680,490	10	4,767,189	8	\$1,484,400
Mobile Homes	9	155,400	6	61,300	27	1,726,441	18	1,034,050	16	440,105	10	415,298	6	\$134,500
Poultry Structures/Ag	18	4,916,176	14	3,506,000	7	1,708,000	9	1,835,684	39	2,539,620	37	1,176,068	26	\$783,039
Change of Use/Home Occupation	15	139,735	12	119,750	4	2,150	3	62,000	3	2,750	0		6	\$300
Shoreline Projects	5	48,000	10	224,725	9	266,600	11	127,900	5	136,000	6	103,500	5	\$131,350
Decks Pools Signs	0		0		0		1	3,000	5	67,000	0		0	
Foundation	0		0		0		0		0		0		36	\$336,002
Renovations	11	1,177,300	13	1,167,300	9	779,960	12	309,900	13	529,289	14	243,238	14	\$264,048
Misc	0		0		0		0		0		0		0	
<b>Totals</b>	<b>591</b>	<b>\$47,366,313</b>	<b>522</b>	<b>\$36,231,864</b>	<b>474</b>	<b>\$27,438,853</b>	<b>362</b>	<b>\$40,726,331</b>	<b>250</b>	<b>\$12,068,193</b>	<b>248</b>	<b>\$14,724,523</b>	<b>196</b>	<b>\$8,153,177</b>

Source: Caroline County Dept of Planning

Types	2012		2013		2014	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	24	\$3,924,530	22	\$4,105,200	32	\$6,207,520
Accessory Dwellings	3	\$140,000	1	\$30,000	0	\$0
Accessory Structures	37	\$730,355	55	\$976,426	44	\$968,104
Additions	29	\$788,200	17	\$337,200	34	\$1,411,950
Comm/Industrial & Institutional	10	\$338,100	9	\$293,500	12	\$1,330,088
Mobile Homes	7	\$404,316	12	\$400,900	8	\$410,039
Poultry Structures/Ag	27	\$730,057	27	\$2,262,655	37	\$3,636,933
Change of Use/Home Occupation			2	\$27,000	6	\$1,000
Shoreline Projects	5	\$88,400	2	\$29,700	3	\$36,000
Foundation	30	\$314,924	31	\$456,929	29	\$259,851
Renovations	9	\$91,920	8	\$148,300	4	\$14,200
Misc			2	\$7,743	11	\$314,400
<b>Totals</b>	<b>181</b>	<b>\$7,550,802</b>	<b>188</b>	<b>\$9,075,553</b>	<b>220</b>	<b>\$14,590,085</b>



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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	120	131	131	129	130	122	131	130	126	126
Public Safety	28	30	33	33	33	31	31	31	31	32
Public Works	54	55	55	55	37	45	40	40	38	38
Leisure Services	9	9	9	11	10	10	9	9	9	9
<b>Total</b>	<b>211</b>	<b>225</b>	<b>228</b>	<b>228</b>	<b>210</b>	<b>208</b>	<b>211</b>	<b>210</b>	<b>204</b>	<b>205</b>

Source: Caroline County Human Resources

Operating Indicators by Function/Program  
Last Ten Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Government*</b>										
Payroll Checks Processed	7,500	8,198	8,113	8,216	8,190	8,092	7,855	7,964	7,654	8,000
Number of Checks Written	7,028	7,106	7,200	6,304	5,664	5,007	4,351	4,359	4,320	4,217
Purchase orders Issued	4,370	5,169	5,200	2,472	1,869	1,964	1,779	1,584	1,820	1,649
<b>Public Safety (calendar year)</b>										
Sheriff Calls for Service(1)	12,072	12,897	13,200	12,199	12,199	10,446	12,692	12,011	NA	NA
911 Calls(1)	15,796	15,882	16,000	17,008	16,488	16,314	18,288	18,911	19,185	NA
Calls for Fire & EMS Dispatches(1)	8,474	8,752	9,000	8,793	8,459	5,457	5,548	5,306	5,823	NA
Avg Detention Ctr Daily Population(2)	85	96	83	98	92	111	98	102	NA	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	7
Uniform Police Officers(3)	NA	NA	78	77	62	63	63	62	58	59
Number of Vehicles	NA	NA	79	76	68	68	68	71	67	69
Number of Type 1 law violations (3)	NA	NA	985	1,211	1,146	1,221	1,070	1,013	NA	NA
Physical arrests (3)	NA	NA	1,753	2,087	2,170	2,137	1,957	3,025	NA	NA
Traffic violations (3)	NA	NA	4,636	5,935	7,830	NA	5,900	7,721	NA	NA
<b>Public Works**</b>										
Miles of Roads Serviced	28	62	34	0	0	0	38	38	38	43
Annualized Tonnage for Collection Sites	6,109	6,299	6,400	5,493	5,091	3,199	1,401	1,401	1,401	1,019
<b>Parks and Rec***</b>										
Number of Programs	267	300	310	312	313	313	313	313	313	307

\* 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,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Facilities</b>											
Police Stations in County(1)		7	7	7	7	7	7	7	7	7	7
Fire & Rescue Stations(1)		8	8	8	8	8	8	8	8	8	8
Parks/Recreation Facilities(2)		5	5	5	5	5	5	5	5	5	5
Senior Centers(3)		2	2	2	2	2	2	2	2	2	2
Libraries(4)		3	3	3	3	3	3	3	3	3	3
<b>Public Schools(5)</b>											
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
<b>Department of Public Works(6)</b>											
Miles of County Maintained Paved Rds		398.24	400.19	400.91	399.00	399.00	399.00	399.00	399.00	399.00	399.00
Vehicles in Roads Department		24	25	27	27	27	26	26	26	24	25
<b>Caroline County Sheriff Department(7)</b>											
Vehicles in Service		31	32	32	31	31	32	32	35	32	34

**Sources**

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



**Caroline County, Maryland**  
**Miscellaneous Statistics**  
**June 30, 2015 (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 38  
Full time 180  
Part time (FTE) 16  
Total 234

County Maintained Roads-Source Public Works Records

Paved 399  
Unpaved 76  
Total 475

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 461  
Administrators 46  
Support 354  
Other 0  
Number of students 5592

(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 27  
Number of Vehicles 32  
Number of Offenses-Sheriff Dept (2) 1,013  
Traffic violations (2) 7,721

Detention Center-Source Annual Correction Report

Detention Center Officers 30  
Average Daily Population (2) 119  
Average Daily Work Release (2) 2

Fire Protection-Source Emergency Management

Number of Volunteer Stations 8  
Number of Volunteer Members 457  
Equipment  
Engines 18  
Tankers 8  
Aerial Units 2  
Rescue Units 6  
Brush Units 10  
Air Units (MD State Police) 8  
Miscellaneous Utility Units 7  
Ambulance/Medic Units 19  
Boat dive units 3  
Command Vehicles 8  
Canteen 1  
Calls for Service- Fire/Rescue 1,387  
Calls for Emergency Medical 4,858

County Owned Recreation Facilities-Source Pks & Rec

Parks 9  
Parks Acreage 275  
Public Landings 4  
Open Space Acreage Actively Maintained 92  
Quantity of Public Boat Ramps 4  
Special Use Areas and Facilities 5  
School/Recreation Park Facilities 4  
Acreage under Development for Public Use 9  
Protected Park land for Future Development 141