

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



CAROLINE COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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

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INTRODUCTORY SECTION



COUNTY COMMISSIONERS OF CAROLINE COUNTY

Office of the County Administrator

109 Market Street
Denton, Maryland 21629
(410) 479-0660

October 28, 2016

***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, 2016***, 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, 2016, are presented fairly and in conformity with Generally Accepted Accounting Principles. 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 Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 context of the state, regional, and national economies. During the reporting period, the national economy continued its long, slow recovery. While Maryland's rural Eastern Shore has lagged behind many areas, Caroline County continued to see signs of an improving local economy.

Technically, the Great Recession ended in 2009. Because the drop was so steep, many Americans continue to believe the economy is still in recession. Housing values have not recovered to 2007 levels nor have personal incomes.

Wages increased by about 1.9 percent in FY 16 although Caroline County remains well behind the State of Maryland. Maryland's median family income in 2015 was \$75,847. The median family income for Caroline County was around \$55,000. Of Caroline's roughly 33,000 residents, it is estimated that 4,928 live in poverty.

Caroline has the 2nd highest poverty rate for senior citizens and the 3rd highest for Hispanic or Latino Marylanders. In terms of the overall poverty rate, Caroline ranked 6th.

While generally categorized as a jobless recovery, the regional labor market has tightened over the past year. Caroline County's unemployment rate at the end of FY 16 was 4.6 percent, slightly higher than the Maryland's rate of 4.5 percent. 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.

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 when the median home value had sunk to \$153,000. By the end of FY 16, the median home value in Caroline County had reached \$170,000, an increase of 6.6% over the past year. This reflects continued low mortgage interest rates, the ongoing economic recovery, and a tightening housing market due to the small number of new homes coming onto the market. While recovering, the housing market in adjoining Delaware is stronger due in part to the lower regulatory costs and taxes.

On the positive side, housing in Caroline remains relatively affordable. According to the National Low Income Housing Coalition, in 2015 a county resident needed to earn \$16.17 an

hour to afford market rent and utilities for a two-bedroom apartment without spending more than 30% of his or her wages on housing.

Economic growth between 2010 and 2015 was an anemic 2.1 percent, well below the level of the previous recovery (2.7%). Growth for 2017 and 2018 is predicted to hover around 2 percent. During the past year, the regional economy benefited from unusually low fuel prices and near zero interest rates. Inflation—the general increase in prices—also remained low.

Caroline’s economy remains heavily dependent on agriculture, primarily row agriculture and poultry production. In 2015, Caroline County was recognized as the top agricultural county in Maryland with \$258 million in revenues. According to Caroline County Farm Bureau President, Harry Moreland, “One-third comes from crops and two-thirds comes from livestock. Caroline is number one in barley, wheat and vegetables. Number two in soybeans and total grain sales. Caroline County does more agriculture sales than the bottom ten counties combined.”

While agriculture is a historically strong economic foundation, the sector is subject to cyclical shifts. Caroline County remains committed to developing a broader base of commercial and light industrial uses, particularly uses that complement the County’s farming base.

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 in 2009, 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. As noted in the Executive Summary of the MD&A, FY 16 marked a return in funding an annual capital budget rather than relying on annual budgetary cost savings to fund projects. As the County’s financial position continues to improve, the management team recommends expanding capital investment to address the accumulation of deferred maintenance.

Caroline County has adopted a 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 and for routine cash flow management. 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, 2016, unassigned fund balance exceeded 5% of budgeted expenditures. The management team has recommended the Commissioner slowly increase the general unassigned fund balance to ten percent of the total annual budget.

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. In 2006, the County's pension fund was only 54.23 percent funded. By the end of FY 16, the pension fund was 78.93 percent funded despite using a lower anticipated rate of return, a major improvement. This progress was possible through pension reform adopted by the Commissioners, implementing an employee contribution, and making contributions above the required minimum.

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 management team value the County's outstanding employees. While unable to accommodate an across-the-board pay increase, the Commissioner implemented a "Living Wage" program and awarded a tiered pay increase for employees earning less than \$40,000 per year. The Commissioner also maintained a commitment to providing top drawer benefits by moving onto the State of Maryland's health insurance plan.

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 twelfth 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 and to their supporting staff teams. 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.

The Caroline Way

Caroline is different. Unlike jurisdictions where the budget process is often marked by competition and strife, in Caroline County, department heads and allied agency leaders actively advocate for the needs other than their own. For example, at the FY 17 budget roundtable, Sheriff Randy Bounds urged increased mental health services while others supported adding patrol deputies to the Sheriff's Office.

In 2009 when State of Maryland cut nearly all local roadbuilding money, Assistant Superintendent of Schools, Milt Nagel, approached the County Commissioners and senior County staff and asked if there was anything the Board of Education could do to help. Mr. Nagel's action was met with disbelief from some of his peers at other Boards of Education. I can cite numerous examples of selfless, visionary leadership that routinely occur here.

What makes Caroline County different is that public officials and senior staff see themselves not as the head of a particular department or agency, but as *community leaders*. Those leaders—including the County's nine outstanding department heads—deserve credit for acting in the highest tradition of public service. The FY 16 audit represents not just careful financial management, but delivery of exceptional value to the citizens of Caroline County.

This community-first culture is only possible through the continued commitment and courage of the Caroline County Commissioners. On behalf of the Caroline County staff, I thank them for leading the way to another successful year.

Respectfully submitted,

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

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, 2015

Executive Director/CEO

**Caroline County, Maryland
Governmental Organization
Certain Elected and Appointed Officials
As of June 30, 2016**

Certain Elected Officials

County Commissioners

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

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

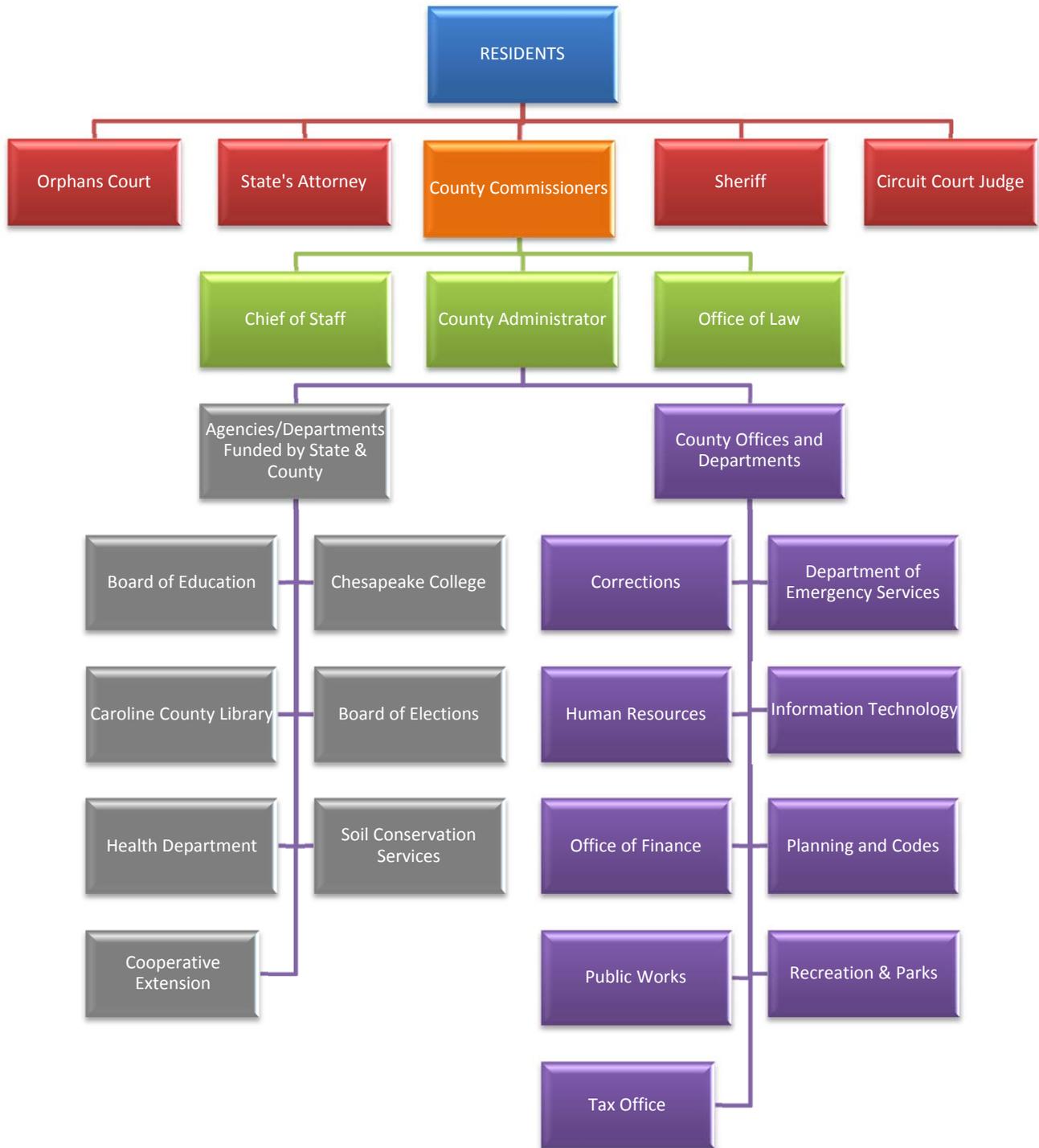
Bond Counsel

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
FY2016 Budget Calendar
Dates of Interest**



JANUARY						
SUN	MON	TUES	WED	THUR	FRI	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	FRI	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	FRI	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	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
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19	20	21	22	23	24	25
26	27	28	29	30		

MAY						
SUN	MON	TUES	WED	THUR	FRI	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

January

- 9 Operating & Capital Budget Submittal Requirements Received by Departments & Agencies
- 13 Dinner Meeting with Board of Education; 5:30 PM, 204 Franklin Street, Denton
- 20 Employee Workgroup Presents Health Insurance Options and Recommendation

February

- 9 All Department & Agency Budget Requests Due to Budget Director
- 12 Annual Municipal Property Tax Differential Meeting; 6:30 PM, Preston Fire Hall, 3680 Choptank Road, Preston, MD
- 24 Budget Requests Presented to County Commissioners by Budget Director
- 26 Public Budget Hearing— To Receive Testimony on Budget Requests 6:30 PM, Preston Fire Hall, 3680 Choptank Road, Preston, MD

March

- 3 Available Unrestricted Reserve Funds Workshop (During Regular Commissioners Meeting) Budget Roundtable Discussions (Old Choptank Electric Building, 24820 Meeting House Rd, Denton)
 - 2:00 PM—Internal Departments
 - 3:30 PM—External Agencies
- 10 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 17 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 24 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 31 Preparation Workshop (Special Afternoon Session at 3:30 PM) County Commissioners Approve Proposed Budget & Tax Rates for Public Hearing Ads

April

- 7 If Necessary—Budget Preparation Workshop & County Commissioners Approve Proposed Budget & Tax Rates for Public Hearing Ads (separate evening meeting)
- 30 Public Budget Hearings: Proposed Budget, Constant Yield Tax Rate, Municipal Property Tax Differential; 6:30 PM, Goldsboro Fire Hall, 700 Old Line Road, Goldsboro, MD

May

- 5 Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 12 Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 19 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.
- Please note that while budget adoption is scheduled for May 19, the date may change if additional budget finalization workshops are necessary. The statutory deadline for budget adoption is June 9.
- 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; 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.



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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2016, 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, as listed in the table of contents is the responsibility of management and has been 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 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, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, 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.

A handwritten signature in black ink that reads "YHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
October 28, 2016

Executive Summary
Management Discussion and Analysis
Caroline County Government, FY 16 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

Financial audits are complex documents. This is one reason why the Government Accounting Standard Board (GASB) adopted a requirement for local government audits to have an easily-understood introduction called the “Management Discussion and Analysis.”

Ironically, GASB also encourages local governments to file audits meeting the “Comprehensive Annual Financial Report” or CAFR standard. Meeting this standard means that after a few pages of hopefully understandable discussion about Caroline County’s finances, you will run into a wall of numbers, statistics, and accounting jargon. Sorry.

To the extent the ordinary citizen thinks about the County’s finances, the questions are normally straightforward. Is the County doing OK? Are things getting better, worse, or staying the same? Are my taxes going to go up? When is the County going to finally pave the dirt road my realtor promised would be paved 30 years ago?

Even an experienced CPA cannot read the County’s audit and answer those questions. One reason is because the audit is just a snapshot of one year in the County’s financial life. The County’s accounting runs on what is called a “fiscal year.” This accounting period begins on July 1 and ends on June 30 of the following run. Fiscal year 16 (or FY 16) ended on June 30, 2016. This audit goes into great detail about the County’s finances during those 12 months. It does not give the broader picture of the past few years and our expectations for the future.

Returning to the straightforward questions: Is the County doing OK? The simple answer is, “Yes.” As discussed in previous audits, the County struggled in the aftermath of the collapse of the economy and State of Maryland balancing its budget on the backs of local government. As we closed the books on FY 16, we can conclusively say that it was the best year for the County financially since 2009.

Like all local governments in Maryland, Caroline County is required to adopt a balanced budget. And because the County budgets conservatively, most years we end up “in the black,” which is accounting jargon for receiving more money (revenues) than we have spent (expenditures). At the end of FY 16, the County’s General Fund had \$1,160,174 more in revenues than expenses.

Moving to the next question: Is the County making progress, falling behind, or just treading water? While a solid year on its own, FY 16 reflected the slow, upward trend recorded during the past half-decade. Things are getting better, but not quickly. The economic collapse left the County with aging infrastructure and employee compensation levels behind other Midshore

counties. Our status as one of the poorer counties in Maryland makes catching up (and keeping up) a challenge.

One of the ways we measure our financial health is our “bond rating,” essentially a credit rating for governments and businesses). In FY 16, this rated remained stable at AA-

This is a lower rating than more affluent Maryland counties, but the bond rating agencies commented favorably on Caroline County’s strong management, improving financial position, and relatively low debt. The agencies also correctly noted that the County has a relatively small economy heavily dependent on agriculture. Much like a credit rating for a consumer depends on income, our bond rating is impacted by our modest revenues.

As for the final two questions, the senior management team cannot predict future tax rates. The County Commissioners have a strong philosophy of prudent fiscal management. As a small, rural county, our finances are greatly influenced by the regional economy, decisions made by the Maryland Legislature, and the comparative economy of our neighbor, Delaware. Finally, if the State of Maryland finally restores local road maintenance funding, we may be able to surface some unpaved roads.

Revenues

To explain the audit, it helps to understand the County’s source of revenues. The two major revenue streams are property tax and income tax. The State of Maryland assesses the value of all real estate. The Commissioners set the County’s tax rate. With the County, there are 10 incorporated municipalities (cities and towns) that impose property taxes as well.

In FY 16, the Commissioners adopted the “constant yield” property tax increase of two cents. Because property assessments fell, the County faced a choice of collecting less revenues than the previous year or increasing the rate slightly to collect the same amount as before. This is why the increase is called the “constant yield” rate. In plain terms, the rate will go up from 96 cents per \$100 of assess value to 98 cents. Caroline has the 13th highest property tax rate among Maryland’s 23 counties and Baltimore City, essentially “middle of the pack.”

Income taxes are a bit different. While the State of Maryland collects income taxes, the process is a “black box” for local governments. The State steadfastly refuses to give local governments raw income tax data so the revenue can be difficult to predict. In FY 16, the County Commissioners left the income tax rate unchanged at 2.73%, the sixth lowest in the state. One of the reason for the positive end-of-year balance was income tax revenues coming in higher than expected. In addition to property and income taxes, the County receives a wide range of user fees and grants.

Expenditures

The audit accurately describes what the County spent money on in FY 16, but not why. About 80 percent of County expenditures are mandatory—either an obligation of state law like

funding the K-12 education system or paying obligations like debt service. Expenditures like the County's ambulance system are not technically required, but most residents would consider the service essential for public health and safety.

By category, Caroline County expenditures parallels other Maryland's counties. The single largest expense is labor in the form of wages and benefits. The County has about 160 full-time employees in its nine departments. We also provide payroll and human resources services for some "local" state agencies like the Circuit Court and State's Attorney's Office.

Perhaps the biggest compensation change in FY 16 was moving to the State of Maryland's health insurance plan. For years, the County participated in a regional self-insured health insurance pool. Due to rising costs and high claims, the State of Maryland's plan represented an annual savings of about \$130,000 and a potentially lower rate of increase.

While the County Commissioners did not approve an across-the-board pay increase in FY 16, the Board adopted a "living wage" initiative recommended by the senior management team. Employees earning less than \$40,000 received a tiered increase with the lowest paid workers receiving the largest pay hike.

Regarding allied agencies, the five Midshore Counties voted to "flat fund" Chesapeake College. This represented a savings of about \$130,000. While the Commissioners declined the 20-percent funding increase requested by the county's eight volunteer fire companies, the Commissioners authorized a one-time drawdown from the Length of Service Award Program (LOSAP). This increased funding to the volunteer fire companies on a one-year basis.

The Commissioners funded half of the Caroline County Library's request and made a wide range of smaller budget cuts. The Commissioners also increased local support for the Caroline County Drug Task Force. As in previous years, the Commissioners listened carefully to department heads and allied agency leaders. The budget-building process remained the most collaborative and cooperative in Maryland.

Capital

Capital expenses are commonly defined as purchase of an asset greater than \$5,000 in value and with an expected useful life of longer than one year. Common examples are buildings, equipment, and vehicles. Setting aside K-12 schools, public libraries, and property owned by allied agencies, the County owns 399 miles of treated roads, 78 miles of dirt roads, 39 bridges and structures, over 250,000 square feet of buildings, and over \$10 million in vehicles and heavy equipment.

In FY 16, the County returned to funding a formal capital budget. The Commissioners received \$7.2 million in capital requests for the \$1.1 million in funding available. This gap represented the cumulative shortfall created by years of neglecting capital investment. Between the capital budget and the "spring sweep" of reserve funds, the County made positive progress in buying badly needed equipment and vehicles and addressing road maintenance.

Unfunded Liabilities

“Unfunded liability” is an accounting term. It is essentially a promise to pay something in the future where the necessary funds have not been set aside yet. This term is most commonly used when referring to pension plan and retiree health care plans.

Caroline County has its own pension plan and retiree health care benefit plan. This is somewhat unusual in Maryland where most counties participate in the State of Maryland’s plans. The pension plan is supported by the County’s pension fund. Retiree healthcare is funded through the Other Post-Employment Benefits (OPEB) fund.

As you may read later in the audit, the County’s total pension liability was \$24,386,225 at the end of the fiscal year. The pension fund had \$19,249,225 in assets. This means the County has an unfunded liability of \$5,137,000. Put another way, the pension fund has 78.93% of the assets it needs to be fully funded.

This is good news because in 2006, the County’s pension fund was only 54.23% funded. The County has made steady progress in reducing its unfunded pension liability by 1) reforming the pension system; 2) phasing in employee contributions; 3) paying more into the pension fund than the required annual contribution.

It’s important to note that the pension liability is an estimate based on some best guesses. The most important guess is the rate of return the pension fund will earn on its investments. The current estimate is 7.25 percent although the Pension Board has voted to slow reduce the number to 7 percent. Why does this matter? If the pension fund only earned 6.25 percent, the unfunded liability would increase to \$8,289,886 and the pension would only be 66.0 percent funded. Small changes in interest rates make a huge difference over time.

Caroline County is the only jurisdiction in Maryland whose OPEB plan is over 100 percent funded. This is due to two reasons. First, the County offers only a modest Medicare supplement plan and does not subsidize health insurance for employees under age 65. Second, the County set aside money for the OPEB fund before the Great Recession. Careful management of those funds has resulted in a fully-funded plan.

Unfunded liabilities are a big deal for state and local governments. Nationally, the cumulative unfunded pension liability of local and state pension plans is about \$1.4 trillion but this number is calculated using the national average 7.6 percent rate of return. If the rate of return were lowered to the much lower (and safer) Treasury yield, the unfunded liability would rise to about \$5.2 trillion or one-quarter of the entire U.S. national debt of about \$19 trillion.

While the County has made extraordinary progress addressing unfunded liabilities, the measure of that progress depends on statistical assumptions. Given the larger economic picture and the push for market-based estimates of what public pension funds really owe, continued diligence is necessary.

Municipal Property Tax Differential

Property owners in Caroline's five largest towns receive a break on their County taxes. While not required by law, the Commissioners have continued to provide this benefit, foregoing about \$3 million cumulatively in property tax revenues over the past five years. The five smallest towns receive support in the form of direct payments. The Commissioners followed the differential formula established in 2012.

Summary

The goal of this executive summary is to explain the annual audit—the snapshot of the County's FY 16 fiscal year—in plain language. FY 16 was a good year that ended with the County collecting more in revenues than it spent in taxes. The County made progress on capital investment and in increasing the wages of our lowest paid employees. Unfunded liabilities grew smaller and the County remained within its self-imposed cap on debt service (no more than 10 percent of operating revenues).

While FY 16 marked another year of steady financial progress, the County continues to face challenges. The regional labor market has tightened and some departments have struggled to recruit and retain entry level employees despite the Living Wage initiative. Like many organizations, we have benefited from lower fuel prices but price for other expenditures (like worker's compensation insurance) are increasing faster than our tax base is growing.

What Caroline County has proven over the past five years is that a fiscally conservative governing body supported by strong management can make financial progress even in difficult times. Surviving the Great Recession and its aftermath has not been easy, but it has created a close knit team of community leaders committed to shared goals, mutual support, and prudent spending. Once again, Caroline County is better than the numbers you'll find herein.

Management's Discussion and Analysis

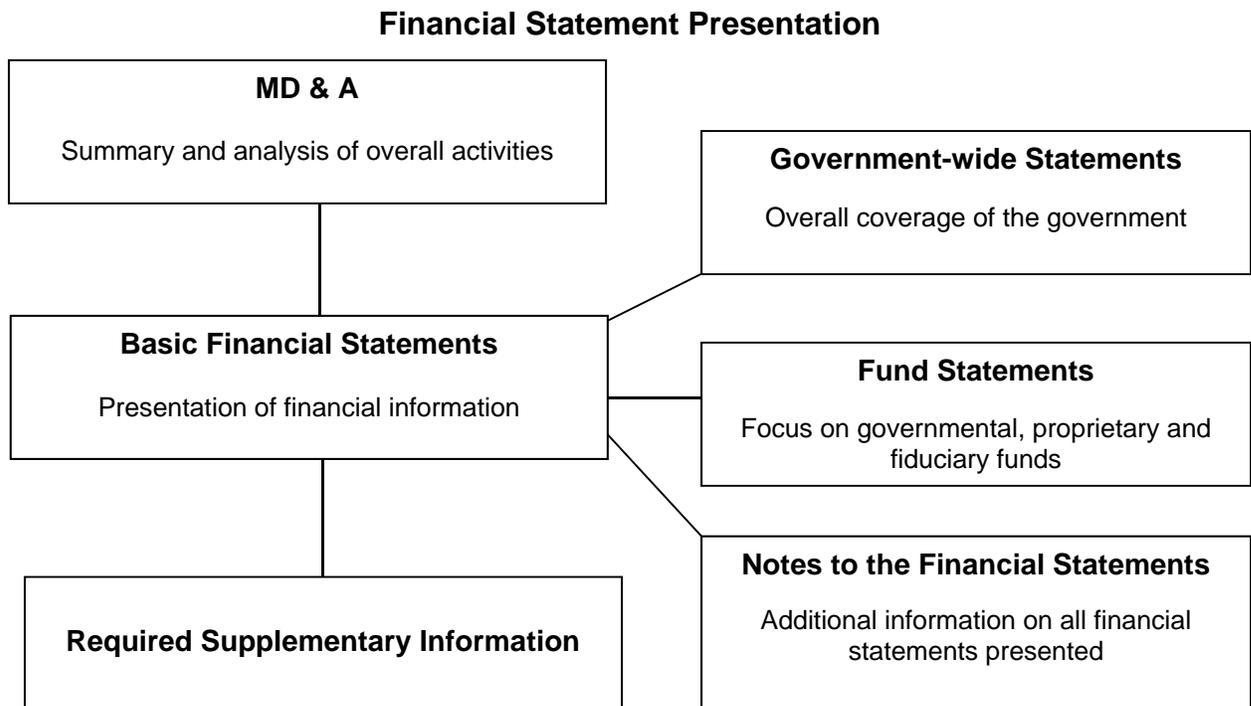
This narrative section of the Comprehensive Annual Financial Report of Caroline County, Maryland presents an overview and analysis of the financial activities of Caroline County's Government for the fiscal year ended June 30, 2016. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

Financial Highlights

- Total fund balance for the General Fund was \$8,578,142 at June 30, 2016.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$35,672,927 (net position). Of total net position \$7,278,601 (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 \$7,435,531 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, 2016, the County's governmental funds reported combined fund balances of \$15.4 million, a decrease of \$.3 million from the prior year. Approximately \$8.2 million is available to meet the County's current and future needs (unassigned fund balance). .6 million is assigned, 5.1 million is committed, 1.2 million if restricted and .3 million is non-spendable.
- Unassigned fund balance for the General Fund was \$8,220,622 for the year ended June 30, 2016.
- Long-term Liabilities include approximately \$28.0 million in bonds payable, approximately \$4.7 million in loans and notes payable, approximately \$3.8 million in capital leases and landfill closure costs of approximately \$1.2 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, deferred outflows, liabilities and deferred inflows, with the difference 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, public works, health, social services, primary education, secondary education, library, recreation and culture, arts, conservation of natural resources, interfaith housing and economic development. The enterprise activities of the County include basic life support, recreation, broadband supply and public works.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term affects of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County Government maintains twenty-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 Fund, 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 and the

SHS Medical Transportation Fund are shown 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

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 19,648,843	\$ 19,713,256	\$ 1,366,507	\$ 1,589,761	\$ 21,015,350	\$ 21,303,017
Capital assets, net of depreciation	64,001,645	57,582,215	698,407	257,360	64,700,052	57,839,575
Total assets	83,650,488	77,295,471	2,064,914	1,847,121	85,715,402	79,142,592
Deferred outflows	4,430,806	2,292,070	-	-	4,430,806	2,292,070
Noncurrent liabilities	50,896,956	49,874,207	-	-	50,896,956	49,874,207
Other liabilities	1,797,498	1,648,921	255,775	260,756	2,053,273	1,909,677
Total liabilities	52,694,454	51,523,128	255,775	260,756	52,950,229	51,783,884
Deferred inflows	1,523,052	1,413,382	-	-	1,523,052	1,413,382
Net investment in capital assets	26,457,210	21,285,188	698,407	257,360	27,155,617	21,542,548
Restricted	1,238,709	1,187,886	-	-	1,238,709	1,187,886
Unrestricted	6,167,869	4,177,957	1,110,732	1,329,005	7,278,601	5,506,962
Total net position	\$ 33,863,788	\$ 26,651,031	\$ 1,809,139	\$ 1,586,365	\$ 35,672,927	\$ 28,237,396

Net position may serve over time as a useful indicator of a government's financial position. In Caroline County, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$35.7 million at the close of the most recent fiscal year, which is an increase of \$7.4 million from the previous year.

By far, the largest portion of Caroline County's net position, approximately \$27.1 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; so these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

An additional \$1.2 million of the County's net position is subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7.3 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	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 1,690,136	\$ 1,657,933	\$ 2,711,998	\$ 2,606,493	\$ 4,402,134	\$ 4,264,426
Operating grants	2,606,840	2,527,132	623,477	340,629	3,230,317	2,867,761
Capital grants	2,903,324	633,693	-	-	2,903,324	633,693
General revenues:						
Property taxes	25,339,865	24,922,043	-	-	25,339,865	24,922,043
Other taxes	15,297,429	14,722,998	-	-	15,297,429	14,722,998
Operating grants (unrestricted)	2,794,257	2,700,488	-	-	2,794,257	2,700,488
Other	1,406,023	16,546	-	-	1,406,023	16,546
Total revenues	52,037,874	47,180,833	3,335,475	2,947,122	55,373,349	50,127,955
Program expenses:						
General government	6,399,850	5,463,688	-	-	6,399,850	5,463,688
Public safety	14,508,616	13,557,853	-	-	14,508,616	13,557,853
Public works	3,159,719	4,219,727	-	-	3,159,719	4,219,727
Health	615,293	452,838	-	-	615,293	452,838
Social services	146,828	138,128	-	-	146,828	138,128
Primary education	15,532,393	15,739,948	-	-	15,532,393	15,739,948
Secondary education	1,555,622	1,436,220	-	-	1,555,622	1,436,220
Recreation and culture	1,401,868	1,332,703	-	-	1,401,868	1,332,703
Library	1,176,435	1,135,477	-	-	1,176,435	1,135,477
Conservation and natural resources	180,629	185,296	-	-	180,629	185,296
Economic development	406,027	512,050	-	-	406,027	512,050
Interfaith housing	6,000	6,000	-	-	6,000	6,000
Interest on long-term debt	950,304	1,028,383	-	-	950,304	1,028,383
Other	-	-	1,898,234	1,989,482	1,898,234	1,989,482
Total expenses	46,039,584	45,208,311	1,898,234	1,989,482	47,937,818	47,197,793
Excess (deficiency) before transfers	5,998,290	1,972,522	1,437,241	957,640	7,435,531	2,930,162
Net transfer in (out)	1,214,467	778,944	(1,214,467)	(778,944)	-	-
Change in net position	7,212,757	2,751,466	222,774	178,696	7,435,531	2,930,162
Net position, beginning of year	26,651,031	23,899,565	1,586,365	1,407,669	28,237,396	25,307,234
Net position, end of year	\$ 33,863,788	\$ 26,651,031	\$ 1,809,139	\$ 1,586,365	\$ 35,672,927	\$ 28,237,396

Governmental activities show an increase of \$7,212,757. Business-type activities showed an increase in net position of \$222,774.

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 \$418 thousand during FY 2016. This increase is more than the previous year's \$204 thousand increase. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the Southern District, as assessed by the State of Maryland Department of Assessments and Taxation.

The local economy began to retract during FY 2008 and this trend has only slightly improved in FY 2016. FY 2016 income taxes revenues indicate employment is modestly recovering however a continuing declining real estate market have continued to erode Property tax revenues. Property taxes remained level despite the declining real estate market because although property assessments decreased the Commissioners raised the property tax rate from .96 per \$100 to .98 per \$100, adopting the constant yield rate.

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

Business-type activities. The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee programs, the County would have to cut approximately 50% of the recreation programs currently offered to citizens. The Recreation Program fund had an increase in net position of \$34,686 in FY 2016 compared to an increase in FY 2015 of \$53,053.

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 \$78,325 from FY 2015 to FY 2016. Expenses of the programs decreased \$338,583.

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 \$ 42,982 a decrease of \$ 29,873 compared to FY2015.

Combined business-type activities generated \$1,437,241 in net revenues over expenses, with \$ 1,214,467 transferred to governmental activities. This resulted in net position increasing by \$ 222,774 from FY 2015.

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 \$15.4 million. Approximately \$8.2 million of the total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved, indicating that it is not available for new spending because it has already been designated: 1) to liquidate contracts, purchase orders and capital commitments of the prior period; 2) as a revenue source for the FY 2017 budget; and 3) for contingencies.

The General Fund is the primary fund of the Caroline County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 8.2 million, while total fund balance was \$8.6 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 \$ 1,160,174 in FY 2016.
- Property tax revenue remained stable as the tax rate was raised to constant yield.
- Income tax remained stable from FY 2015 and was estimated conservatively. The over budget figure was \$1,101,962.
- Recordation tax decreased \$60,366 from FY15 and was \$401,962 over budget.
- Departments primarily stayed within their budgets.

In the FY 2016 budget, the Caroline County Commissioners took the following actions:

- Employees received a one half-percent increase in pay for all County employees to offset the increase in pension cost.
- Departments were budgeted at flat or reduced budget compared to the FY 2015 budget.
- A living wage was given to all employees earning under \$40,000 with the lowest paid workers receiving the biggest hike.

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 \$1,586,365 in 2015 to \$1,809,139 in FY 2016.

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 use \$600,000 of Fund Balance.

Increases in fund balance are not expected in the near future due to the continuing uncertainty of the economy. The FY 2017 budget is not projected to include Fund Balance, and is requiring departments to remain within budgeted amounts. The Fund Balance is projected to fund \$2,000,000 for Capital Expenditures. 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 for Caroline County, FY 17 while having an offsetting grant still had an increase of \$164,460, the FY18 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, 2016, amounts to \$64.0 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:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Assets, net of depreciation						
Land	\$ 14,586,835	\$ 12,934,062	\$ -	\$ -	\$ 14,586,835	\$ 12,934,062
Non-depreciable infrastructure	17,052,974	17,052,974	-	-	17,052,974	17,052,974
Construction in progress	109,109	784,040	-	-	109,109	784,040
Infrastructure	9,595,976	7,658,637	-	-	9,595,976	7,658,637
Buildings	10,165,696	10,974,043	-	-	10,165,696	10,974,043
Utilities	1,444,620	1,475,086	-	-	1,444,620	1,475,086
Improvements	4,199,010	3,965,209	698,407	257,360	4,897,417	4,222,569
Machinery and equipment	6,847,425	2,738,164	-	-	6,847,425	2,738,164
Total	\$ 64,001,645	\$ 57,582,215	\$ 698,407	\$ 257,360	\$ 64,700,052	\$ 57,839,575

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 \$32.7 million, which are backed by the full faith and credit of the County.

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

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$28,032,444	\$-	\$28,032,444

During the current fiscal year, the County’s general obligation bonds decreased by \$ 2.6 million. There were no new general obligation bonds.

We did finance the new radio system with capital lease debt of \$3.8 million.

The County has a rating of “A3” from Moody’s Investment Service and a new reviewed “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 4.8% in June 2016. The State’s average was 4.3%.¹
- Real property tax revenue and all revenues are uncertain due to national and state economic characteristics resulting from the recession.

These factors, as well as many others, were considered in preparing the County’s budget for Fiscal Year 2017.

The State of Maryland budget problems have increased, and a deficit is projected going into FY 2017. 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 of \$164,460 and forward will present serious challenges in balancing our budgets. The State passed down assessment office cost to each county FY 2012.

Request for Information

• ¹ Monthly Labor Review June 2016 Maryland Department of Labor, Licensing and Regulation www.dllr.state.md.us

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

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
ASSETS:				
Cash and cash equivalents	\$ 13,259,077	\$ 1,114,527	\$ 14,373,604	\$ 13,969,540
Deposits	114,446	-	114,446	-
Taxes receivable	187,114	-	187,114	-
Accounts receivable	1,226,166	250,608	1,476,774	545,042
Other receivables	500	-	500	-
Prepaid expenses	3,000	1,372	4,372	59,042
Inventories	257,520	-	257,520	41,487
Due from other governments	1,659,857	-	1,659,857	1,939,141
Prepayment of OPEB	2,243,226	-	2,243,226	-
Other assets	697,937	-	697,937	-
Restricted assets:				
Cash and cash equivalents	-	-	-	529,966
Capital assets:				
Nondepreciable assets	31,748,918	-	31,748,918	17,655,063
Depreciable assets, net	32,252,727	698,407	32,951,134	73,504,422
Total assets	83,650,488	2,064,914	85,715,402	108,243,703
DEFERRED OUTFLOWS OF RESOURCES				
Pensions (see Note 8)	4,430,806	-	4,430,806	1,019,721
LIABILITIES:				
Accounts payable	763,890	134,825	898,715	749,408
Accrued expenses	639,313	-	639,313	7,871,490
Unearned revenue	438,620	16,845	455,465	472,280
Internal balances, net	(104,105)	104,105	-	-
Other liabilities	59,780	-	59,780	-
Non-current liabilities:				
Net pension liability (see Note 8)	9,308,221	-	9,308,221	4,170,028
Due within one year	3,498,259	-	3,498,259	515,960
Due in more than one year	38,090,476	-	38,090,476	41,889,706
Total liabilities	52,694,454	255,775	52,950,229	55,668,872
DEFERRED INFLOWS OF RESOURCES				
Pensions (see Note 8)	1,523,052	-	1,523,052	348,293
NET POSITION:				
Net investment in capital assets	26,457,210	698,407	27,155,617	87,117,561
Restricted for:				
Special Grants	4,669	-	4,669	-
OJP Grants Law Enforcement	1,857	-	1,857	-
Revolving Loan	200,309	-	200,309	-
MEAF Revolving Loan	155,051	-	155,051	-
Equitable Sharing Task Force	24,176	-	24,176	-
Commissary Account	13,581	-	13,581	-
Law Library	6,198	-	6,198	-
Drug Task Force	138,340	-	138,340	-
Dayspring Townhomes	694,528	-	694,528	-
Library - fund purposes	-	-	-	78,616
Unrestricted	6,167,869	1,110,732	7,278,601	(33,949,918)
Total net position	\$ 33,863,788	\$ 1,809,139	\$ 35,672,927	\$ 53,246,259

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total Net Expense/Revenue	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 6,399,850	\$ 725,930	\$ 1,067,508	\$ -	\$ (4,606,412)	\$ -	\$ (4,606,412)	\$ -
Public Safety	14,508,616	571,281	1,005,540	6,770	(12,925,025)	-	(12,925,025)	-
Public Works	3,159,719	286,197	-	1,379,865	(1,493,657)	-	(1,493,657)	-
Health	615,293	150	-	-	(615,143)	-	(615,143)	-
Social services	146,828	-	-	-	(146,828)	-	(146,828)	-
Primary education	15,532,393	-	-	-	(15,532,393)	-	(15,532,393)	-
Secondary education	1,555,622	-	-	-	(1,555,622)	-	(1,555,622)	-
Library	1,176,435	-	-	-	(1,176,435)	-	(1,176,435)	-
Recreation and culture	1,396,868	106,578	384,013	1,514,689	608,412	-	608,412	-
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-
Conservation of natural resources	180,629	-	8,338	-	(172,291)	-	(172,291)	-
Interfaith housing	6,000	-	-	-	(6,000)	-	(6,000)	-
Economic development	406,027	-	141,441	2,000	(262,586)	-	(262,586)	-
Interest on long-term debt	950,304	-	-	-	(950,304)	-	(950,304)	-
Total governmental activities	46,039,584	1,690,136	2,606,840	2,903,324	(38,839,284)	-	(38,839,284)	-
Business-type activities:								
Basic life support	312,322	1,497,438	-	-	-	1,185,116	1,185,116	-
Recreation	826,827	240,536	623,477	-	-	37,186	37,186	-
Broadband supply	296,434	468,391	-	-	-	171,957	171,957	-
Public works	462,651	505,633	-	-	-	42,982	42,982	-
Total business-type activities	1,898,234	2,711,998	623,477	-	-	1,437,241	1,437,241	-
Total primary government	\$ 47,937,818	\$ 4,402,134	\$ 3,230,317	\$ 2,903,324	(38,839,284)	1,437,241	(37,402,043)	-
COMPONENT UNITS:								
Board of Education of Caroline Co.	\$ 84,948,277	\$ 4,779,670	\$ 10,977,953	\$ 4,864,719	-	-	-	(64,325,935)
Board of Library Trustees of Caroline Co.	1,993,717	34,661	336,409	-	-	-	-	(1,622,647)
Total component units	\$ 86,941,994	\$ 4,814,331	\$ 11,314,362	\$ 4,864,719	-	-	-	(65,948,582)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2016

	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	\$ 25,339,865	\$ -	\$ 25,339,865	\$ -
Income taxes	12,901,392	-	12,901,392	-
Other local taxes:				
Recordation tax	1,601,962	-	1,601,962	-
School construction excise tax	146,958	-	146,958	-
Mobile home tax	107,919	-	107,919	-
Transfer taxes	539,198	-	539,198	-
State shared general revenue	2,794,257	-	2,794,257	-
Interest and investment earnings	31,923	-	31,923	17,847
Other income	1,374,100	-	1,374,100	733,298
County and State appropriations	-	-	-	64,410,221
Net transfers in (out)	1,214,467	(1,214,467)	-	-
Total general revenues and transfers	46,052,041	(1,214,467)	44,837,574	65,161,366
Change in net position	7,212,757	222,774	7,435,531	(787,216)
Net position – beginning	26,651,031	1,586,365	28,237,396	54,033,475
Net position – ending	\$ 33,863,788	\$ 1,809,139	\$ 35,672,927	\$ 53,246,259

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	SHS Medical Transportation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 8,146,456	\$ 360,000	\$ 3,510,953	\$ 1,241,668	\$ 13,259,077
Deposits	-	-	114,446	-	114,446
Receivables:					
Taxes	187,114	-	-	-	187,114
Accounts	-	-	1,015,781	210,385	1,226,166
Other	500	-	-	-	500
Due from other funds	40,441	-	558,671	3,542	602,654
Due from other governments	1,638,263	-	-	-	1,638,263
Prepaid items	-	-	3,000	-	3,000
Material and supplies, at cost	257,520	-	-	-	257,520
Other assets	-	-	-	697,937	697,937
Total assets	\$ 10,270,294	\$ 360,000	\$ 5,202,851	\$ 2,153,532	\$ 17,986,677
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 328,279	\$ -	\$ 375,808	\$ 59,803	\$ 763,890
Accrued items	639,313	-	-	-	639,313
Due to other funds	454,065	-	-	44,484	498,549
Unearned revenues	57,757	360,000	-	20,863	438,620
Other liabilities	34,640	-	-	25,140	59,780
Total liabilities	1,514,054	360,000	375,808	150,290	2,400,152
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	178,098	-	-	-	178,098
Fund balance:					
Non-spendable	257,520	-	3,000	-	260,520
Restricted	-	-	-	1,238,709	1,238,709
Committed	-	-	4,824,043	323,490	5,147,533
Assigned	100,000	-	-	455,606	555,606
Unassigned	8,220,622	-	-	(14,563)	8,206,059
Total fund balance	8,578,142	-	4,827,043	2,003,242	15,408,427
Total liabilities, deferred inflows of resources and fund balance	\$ 10,270,294	\$ 360,000	\$ 5,202,851	\$ 2,153,532	\$ 17,986,677

See accompanying notes.

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

June 30, 2016

Total Governmental Fund Balance	\$	15,408,427
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		64,001,645
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		21,594
Deferred outflow of resources - County pension (see Note 8)		3,347,795
Deferred inflow of resources - County pension (see Note 8)		(1,174,278)
Net pension liability - County pension (see Note 8)		(5,137,000)
Deferred outflow of resources - Maryland State pension (see Note 8)		1,083,011
Deferred inflow of resources - Maryland State pension (see Note 8)		(348,774)
Net pension liability - Maryland State pension (see Note 8)		(4,171,221)
Prepayment of OPEB		2,243,226
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		178,098
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		(32,716,769)
Bond premiums		(124,723)
Unpaid vacation and sick pay benefits		(1,182,320)
Accrued landfill liability		(1,235,184)
Dayspring Townhomes		(2,530,583)
Capital leases		(3,799,156)
Net position of Governmental Activities	\$	33,863,788

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2016

	General Fund	SHS Medical Transportation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 40,572,959	\$ -	\$ 539,198	\$ 163,198	\$ 41,275,355
License and permits	212,238	-	-	150	212,388
Intergovernmental revenues	3,961,330	-	3,197,156	278,771	7,437,257
Charges for services	805,283	-	-	13,078	818,361
Miscellaneous revenues	1,464,876	-	210,301	605,774	2,280,951
Total revenues	47,016,686	-	3,946,655	1,060,971	52,024,312
Expenditures:					
General government	6,239,431	-	225,791	349,632	6,814,854
Public safety	12,851,297	-	4,807,902	301,834	17,961,033
Public works	3,196,722	-	2,843,537	24,607	6,064,866
Health	612,838	-	-	-	612,838
Social services	146,828	-	-	-	146,828
Primary education	13,765,180	-	1,767,213	-	15,532,393
Secondary education	1,582,243	-	-	-	1,582,243
Public Library	1,132,435	-	44,000	-	1,176,435
Recreation and parks	915,915	-	1,933,190	68,798	2,917,903
Arts	5,000	-	-	-	5,000
Conservation of natural resources	135,413	-	-	-	135,413
Interfaith housing	6,000	-	-	-	6,000
Economic development	246,600	-	-	159,427	406,027
Contingency	406,760	-	-	-	406,760
Debt Service:					
Principal	2,676,471	-	-	-	2,676,471
Interest and fiscal charges	950,304	-	-	-	950,304
Total expenditures	44,869,437	-	11,621,633	904,298	57,395,368
Excess (deficiency) of revenues over expenditures	2,147,249	-	(7,674,978)	156,673	(5,371,056)
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	3,799,156	-	3,799,156
Transfers in / (out)	(987,075)	-	2,414,868	(213,326)	1,214,467
Total other financing sources (uses)	(987,075)	-	6,214,024	(213,326)	5,013,623
Net change in fund balances	1,160,174	-	(1,460,954)	(56,653)	(357,433)
Fund balances, beginning	7,332,915	-	6,287,997	2,059,895	15,680,807
Change in reserve for materials and supplies	85,053	-	-	-	85,053
Fund balances, ending	\$ 8,578,142	\$ -	\$ 4,827,043	\$ 2,003,242	\$ 15,408,427

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, 2016

Net change in fund balance - Governmental Funds	\$	(357,433)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		9,657,971
<p>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.</p>		(82,203)
<p>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.</p>		(85,735)
<p>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.</p>		(20,458)
<p>Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.</p>		13,562
<p>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:</p>		
Change in deferred outflow of resources - County pension (see Note 8)		1,525,187
Change in deferred inflow of resources - County pension (see Note 8)		(112,031)
Change in net pension liability - County pension (see Note 8)		26,217
Change in deferred outflow of resources - Maryland State pension (see Note 8)		613,549
Change in deferred inflow of resources - Maryland State pension (see Note 8)		2,361
Change in net pension liability - Maryland State pension (see Note 8)		(963,231)
Decrease in net OPEB prepaid		66,286
Decrease in reserve for materials and supplies		85,053
Depreciation expense		(3,156,338)
<hr/>		
Change in net position of Governmental Activities	\$	7,212,757
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See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

	Basic Life Support Fund	Other Proprietary Funds	Total
<u>ASSETS:</u>			
Current assets:			
Cash and cash equivalents	\$ 666,002	\$ 448,525	\$ 1,114,527
Accounts receivable	2,635	247,973	250,608
Prepaid expenses	-	1,372	1,372
Due from other funds	-	501	501
Total current assets	668,637	698,371	1,367,008
Noncurrent assets:			
Capital assets, net	-	698,407	698,407
Total assets	668,637	1,396,778	2,065,415
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable	26,504	108,321	134,825
Unearned revenue	-	16,845	16,845
Due to other funds	-	104,606	104,606
Total current liabilities	26,504	229,772	256,276
Noncurrent liabilities:			
Long-term debt	-	-	-
Total liabilities	26,504	229,772	256,276
<u>NET POSITION:</u>			
Invested in capital assets	-	698,407	698,407
Unrestricted	642,133	468,599	1,110,732
Total net position	\$ 642,133	\$ 1,167,006	\$ 1,809,139

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2016

	Basic Life Support Fund	Other Proprietary Funds	Total
Operating revenues:			
Charges for services	\$ 1,497,438	\$ 1,214,560	\$ 2,711,998
Total operating revenues	1,497,438	1,214,560	2,711,998
Operating expenses:			
Personnel services	-	529,952	529,952
Operations and maintenance	312,322	992,282	1,304,604
Depreciation expense	-	63,678	63,678
Total operating expenses	312,322	1,585,912	1,898,234
Operating income (loss)	1,185,116	(371,352)	813,764
Nonoperating revenues (expenses):			
Intergovernmental revenues	-	623,477	623,477
Total nonoperating revenues (expenses)	-	623,477	623,477
Transfers in (out)	(1,211,967)	(2,500)	(1,214,467)
Change in net position	(26,851)	249,625	222,774
Net position, beginning of year	668,984	917,381	1,586,365
Net position, end of year	\$ 642,133	\$ 1,167,006	\$ 1,809,139

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED June 30, 2016

	Basic Life Support Fund	Other Proprietary Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,495,631	\$ 1,234,631	\$ 2,730,262
Cash paid to suppliers	(372,751)	(1,050,555)	(1,423,306)
Cash paid to employees	-	(508,504)	(508,504)
Net cash provided (used) by operating activities	1,122,880	(324,428)	798,452
Cash flows from noncapital financing activities:			
Transfers in (out)	(1,211,967)	(2,500)	(1,214,467)
Payment of interfund loan	-	104,408	104,408
Intergovernmental revenues	-	623,477	623,477
Net cash (used) provided by noncapital financing activities	(1,211,967)	725,385	(486,582)
Cash flows from capital and financing activities			
Acquisition of capital assets	-	(504,725)	(504,725)
Net cash provided (used) by capital and financing activities	-	(504,725)	(504,725)
Net (decrease) increase in cash and cash equivalents	(89,087)	(103,768)	(192,855)
Cash and cash equivalents, beginning of year	755,089	552,293	1,307,382
Cash and cash equivalents, end of year	\$ 666,002	\$ 448,525	\$ 1,114,527
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,185,116	\$ (371,352)	\$ 813,764
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	63,678	63,678
(Increase)/decrease in accounts receivable	(1,807)	33,578	31,771
(Increase)/decrease in prepaid expense	-	(1,372)	(1,372)
Increase/(decrease) in accounts payable	(60,429)	(35,453)	(95,882)
Increase in unearned revenue	-	(13,507)	(13,507)
Net cash provided (used) by operating activities	\$ 1,122,880	\$ (324,428)	\$ 798,452

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 590,023	\$ 392,307
Investments at fair value:		
Fixed income	-	8,429,062
Equity funds	-	16,541,524
<hr/>		
Total investments at fair value	-	24,970,586
<hr/>		
Taxes and other receivables	64,207	-
<hr/>		
Total assets	\$ 654,230	\$ 25,362,893
<hr/>		
<u>LIABILITIES:</u>		
Accounts payable	42,049	-
Due to property owners	426,027	-
Due to other governments	184,348	-
Due to participants	1,806	-
<hr/>		
Total liabilities	\$ 654,230	-
<hr/>		
<u>NET POSITION:</u>		
Held in trust for participants		\$ 25,362,893
<hr/>		

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED June 30, 2016

	<u>Employee benefit Trust Funds</u>
Additions:	
Contributions:	
Plan sponsor	\$ 2,175,500
Employee	115,267
Gains	-
Interest, dividends and gains	653,491
<hr/>	
Total additions	2,944,258
<hr/>	
Deductions:	
Benefits paid	1,272,334
Losses	371,275
Transfers (in) out	59,658
Administrative fees	95,852
<hr/>	
Total deductions	1,799,119
<hr/>	
Change in net position	1,145,139
Net position, beginning of year	24,217,754
<hr/>	
Net position, end of year	\$ 25,362,893
<hr/> <hr/>	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2016

	Board of Education of <u>Caroline County</u>	Board of Library Trustees of <u>Caroline County</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 13,689,298	\$ 280,242	\$ 13,969,540
Accounts receivable	482,670	62,372	545,042
Prepaid expenses	-	59,042	59,042
Inventories	41,487	-	41,487
Due from other governments	1,939,141	-	1,939,141
Restricted assets:			
Cash and cash equivalents	-	529,966	529,966
Nondepreciable assets	17,655,063	-	17,655,063
Depreciable assets, net	72,629,037	875,385	73,504,422
Total assets	106,436,696	1,807,007	108,243,703
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pensions	1,019,721	-	1,019,721
<u>LIABILITIES:</u>			
Accounts payable	722,320	27,088	749,408
Accrued expenses	7,824,240	47,250	7,871,490
Unearned revenue	451,520	20,760	472,280
Accrued compensated absences	-	11,635	11,635
Long-term liabilities:			
Net pension liability	4,170,028	-	4,170,028
Due within one year	515,960	-	515,960
Due in more than one year	41,878,071	-	41,878,071
Total liabilities	55,562,139	106,733	55,668,872
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pensions	348,293	-	348,293
<u>NET POSITION:</u>			
Net investment in capital assets	86,242,176	875,385	87,117,561
Restricted for:			
Fund purposes	-	78,616	78,616
Unrestricted (deficit)	(34,696,191)	746,273	(33,949,918)
Total net position	\$ 51,545,985	\$ 1,700,274	\$ 53,246,259

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2016

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 Caroline County	Total Net Expense/Revenue
COMPONENT UNITS:							
Board of Education of Caroline County	\$ 84,948,277	\$ 4,779,670	\$ 10,977,953	\$ 4,864,719	\$ (64,325,935)	\$ -	\$ (64,325,935)
Board of Library Trustees of Caroline County	1,993,717	34,661	336,409	-	-	(1,622,647)	(1,622,647)
Total component units	\$ 86,941,994	\$ 4,814,331	\$ 11,314,362	\$ 4,864,719	(64,325,935)	(1,622,647)	(65,948,582)
General revenues:							
County appropriations					13,765,180	1,176,435	14,941,615
State appropriations					49,058,301	410,305	49,468,606
Interest and investment earnings					16,321	1,526	17,847
Miscellaneous					714,321	18,977	733,298
Total general revenue					63,554,123	1,607,243	65,161,366
Change in net position					(771,812)	(15,404)	(787,216)
Net position – beginning, as restated					52,317,797	1,715,678	54,033,475
Net position – ending					\$ 51,545,985	\$ 1,700,274	\$ 53,246,259

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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) net investment in capital assets; (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, 2016

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, 2016

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, 2016

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of significant accounting policies (continued)

D. Financial Statement Amounts (continued)

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.

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, 2016

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

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, for the net difference between projected and actual investment earnings on pension plan investments 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 deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of significant accounting policies (continued)

D. Financial Statement Amounts (continued)

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

- a. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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, 2016

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>
General Fund:			
Budget Appropriation for 2017	\$ -	\$ -	\$ 100,000
Capital Improvements:			
General government	-	656,762	-
Public safety	-	207,369	-
Public works - bridges	-	1,036,044	-
Public works - other	-	138,648	-
Primary education	-	1,956,871	-
Recreation and culture	-	78,349.00	-
Required reserve	-	750,000	-
Other Governmental funds:			
4-H Park	-	-	20,233
Special Grants Fund	4,669	-	-
OJP Grants Law Enforcement	1,857	-	-
Revolving Loan Fund	200,309	-	-
MEAF Revolving Loan	155,051	-	-
Equitable Sharing Task Force	24,176	-	-
Local Agricultural Land Preservation	-	29,500	-
State Agricultural Land Preservation	-	2,110	-
Summerfest	-	-	8,993
Commissary Account	13,581	-	-
Law Library	6,198	-	-
Critical Area Forestry	-	22,058	-
Forest Conservation	-	23,533	-
Business and Tech Park	-	-	63,491
Health Department	-	-	362,889
Drug Task Force	138,340	-	-
Dayspring Townhomes	694,528	-	-
Educational Facilities	-	246,289	-
Total	\$ 1,238,709	\$ 5,147,533	\$ 555,606

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, 2016

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, 2016.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$2,909,155 and the bank balance was \$3,544,318, all of which was covered by federal depository insurance or by collateral held by the County's agent in the County's name.

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

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

<u>Investment Type</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	\$ 11,464,449

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, 2016, 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, 2016

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	\$ 392,307
Less than 1 year	628,808
1-5 years	3,589,095
5-10 years	4,069,551
10-15 years	5,901
15-20+ years	135,707
Total	\$ 8,821,369

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, 2016 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 \$1,664,190 and the bank balance was \$3,035,978. 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 \$153,737 and the bank balance was \$167,033, 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	\$ 12,025,108

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 656,471

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable	Net Receivable (Payable)
<u>Governmental Funds:</u>			
General Fund	\$ 40,441	\$ 454,065	\$ (413,624)
Capital Improvements	558,671	-	558,671
Other Governmental Funds	3,542	44,484	(40,942)
<hr/>			
Total Governmental Funds	602,654	498,549	104,105
<hr/>			
<u>Proprietary Funds:</u>			
Basic Life Support	-	-	-
Other Proprietary Funds	501	104,606	(104,105)
<hr/>			
Total Proprietary Funds	501	104,606	(104,105)
<hr/>			
Total	\$ 603,155	\$ 603,155	\$ -

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, 2016

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, 2016, 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, 2016 is as follows:

	Transfers In	Transfers Out	Net In (Out)
<u>Governmental Funds:</u>			
General Fund	\$ 1,449,467	\$ 2,436,542	\$ (987,075)
Capital Improvements	2,414,868	-	2,414,868
Other Governmental Funds	21,674	235,000	(213,326)
Total Governmental Funds	3,886,009	2,671,542	1,214,467
<u>Proprietary Funds:</u>			
Basic Life Support	-	1,211,967	(1,211,967)
Other Proprietary Funds	-	2,500	(2,500)
Total Proprietary Funds	-	1,214,467	(1,214,467)
Total	\$ 3,886,009	\$ 3,886,009	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Capital assets

Caroline County

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 12,934,062	\$ 1,576,880	\$ 75,893	\$ 14,586,835
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	784,040	1,848,338	(2,523,269)	109,109
Total capital assets, not depreciated	30,771,076	3,425,218	(2,447,376)	31,748,918
Capital assets, depreciated:				
Infrastructure	27,001,725	797,669	1,928,803	29,728,197
Buildings	29,262,768	10,260	-	29,273,028
Utilities	1,523,324	-	-	1,523,324
Improvements	9,885,667	240,918	459,779	10,586,364
Machinery and equipment	14,777,189	5,183,906	(665,416)	19,295,679
Total capital assets, depreciated	82,450,673	6,232,753	1,723,166	90,406,592
Less: accumulated depreciation for:				
Infrastructure	(19,343,088)	(789,133)	-	(20,132,221)
Buildings	(18,288,725)	(818,607)	-	(19,107,332)
Utilities	(48,238)	(30,466)	-	(78,704)
Improvements	(5,920,458)	(466,896)	-	(6,387,354)
Machinery and equipment	(12,039,025)	(1,051,236)	642,007	(12,448,254)
Total accumulated depreciation	(55,639,534)	(3,156,338)	642,007	(58,153,865)
Total capital assets, depreciated, net	26,811,139	3,076,415	2,365,173	32,252,727
Governmental activities capital assets, net	\$ 57,582,215	\$ 6,501,633	\$ (82,203)	\$ 64,001,645
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Construction in progress	\$ 69,810	-	\$ (69,810)	-
Capital assets, depreciated:				
Building and improvements	512,294	504,725	69,810	1,086,829
Less: accumulated depreciation for:				
Buildings and improvements	(324,744)	(63,678)	-	(388,422)
Total capital assets, depreciated, net	187,550	441,047	69,810	698,407
Business-type activities capital assets, net	\$ 257,360	\$ 441,047	\$ -	\$ 698,407

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$	750,175
Public safety		968,729
Public works		1,090,914
Recreation and culture		301,304
Conservation of natural resources		45,216
<hr/>		
Total depreciation expense - Governmental Activities	\$	3,156,338
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Business-type Activities:

Broadband supply	\$	61,688
Public works		1,990
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	\$	63,678
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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Capital assets (continued)

Board of Education

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets, not depreciated:				
Construction in progress	\$ 12,211,026	\$ 5,238,708	\$ -	\$ 17,449,734
Land	182,087	23,242	-	205,329
Total capital assets, not depreciated	12,393,113	5,261,950	-	17,655,063
Capital assets, depreciated:				
Buildings and improvements	106,688,353	115,788	-	106,804,141
Furniture and equipment	1,774,931	35,250	-	1,810,181
Software	675,517	-	-	675,517
Vehicles	2,094,848	377,071	(82,128)	2,389,791
Total capital assets, depreciated	111,233,649	528,109	(82,128)	111,679,630
Less: accumulated depreciation for:				
Buildings and improvements	(33,741,356)	(2,202,700)	-	(35,944,056)
Furniture and equipment	(1,137,212)	(65,046)	-	(1,202,258)
Software	(630,372)	(18,131)	-	(648,503)
Vehicles	(1,313,488)	(175,801)	70,598	(1,418,691)
Total accumulated depreciation	(36,822,428)	(2,461,678)	70,598	(39,213,508)
Total capital assets, depreciated, net	74,411,221	(1,933,569)	(11,530)	72,466,122
Governmental activities capital assets, net	\$ 86,804,334	\$ 3,328,381	\$ (11,530)	\$ 90,121,185
Business-type activities:				
Equipment	\$ 953,657	\$ 51,401	\$ (23,200)	\$ 981,858
Software	27,122	-	-	27,122
Vehicles	55,670	-	-	55,670
Total capital assets being depreciated	1,036,449	51,401	(23,200)	1,064,650
Less: accumulated depreciation:				
Equipment	(835,933)	(16,398)	23,200	(829,131)
Software	(27,122)	-	-	(27,122)
Vehicles	(41,406)	(4,076)	-	(45,482)
Total accumulated depreciation	(904,461)	(20,474)	23,200	(901,735)
Business-type activities capital assets, net	\$ 131,988	\$ 30,927	\$ -	\$ 162,915

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Capital assets (continued)

Depreciation expense for the fiscal year ended June 30, 2016 was charged to governmental functions as follows:

Administration	\$	70,268
School management and support		25,457
Other instructional costs		2,208,127
Pupil transportation		109,231
Maintenance of plant		48,595
<hr/>		
Total depreciation expense	\$	2,461,678

Library

Capital asset activity for the Library for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furnishings and equipment	\$ 756,861	\$ 33,897	\$ (76,631)	\$ 714,127
Vehicles	29,899	-	-	29,899
Leasehold improvements	481,963	47,458	-	529,421
Books and materials	858,607	86,313	(166,547)	778,373
	<hr/>			
	2,127,330	167,668	(243,178)	2,051,820
	<hr/>			
Accumulated depreciation:				
Furnishings and equipment	(642,142)	(42,569)	76,622	(608,089)
Vehicles	(29,899)	-	-	(29,899)
Leasehold improvements	(85,265)	(22,990)	-	(108,255)
Books and materials	(479,812)	(116,927)	166,547	(430,192)
	<hr/>			
	(1,237,118)	(182,486)	243,169	(1,176,435)
	<hr/>			
Net capital assets	\$ 890,212	\$ (14,818)	\$ (9)	\$ 875,385

Governmental activities depreciation expense was \$182,486 for the fiscal year ended June 30, 2016.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

	Balance July 01, 2015	Additions	Retirements and Repayments	Balance June 30, 2016	Current Portion
<u>Governmental activities:</u>					
Bonds and loans	\$ 35,496,564	\$ -	\$ 2,779,795	\$ 32,716,769	\$ 2,268,428
Bond premiums	-	135,446	10,723	124,723	6,772
Unpaid vacation and sick pay benefits	1,243,934	511,000	572,614	1,182,320	895,000
Accrued landfill liability	2,231,919	-	996,735	1,235,184	-
Dayspring Townhomes	2,530,583	-	-	2,530,583	-
Capital leases	-	3,799,156	-	3,799,156	328,059
	<u>\$ 41,503,000</u>	<u>\$ 4,445,602</u>	<u>\$ 4,359,867</u>	<u>\$ 41,588,735</u>	<u>\$ 3,498,259</u>

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, 2016

Note 7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2016 is composed of the following issues:

Description	Interest Rates	Date Issued	Date Series Matures	Original Issue	Outstanding
General bonded debt:					
2006 Public Improvement Bond	3.75-4.0%	2006	2022	\$ 12,475,000	\$ 5,870,000
2008 Public Improvement Bond	3.25-5.0%	2008	2028	5,600,000	3,865,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	4,380,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	6,670,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	-
2014 Public Improvement Bond	2.5-3.125%	2015	2035	7,205,000	7,155,000
Jonestown Bond	2.375%	2015	2054	95,000	92,444
State loans:					
Midshore Business & Tech. Park	0.000%	2007	-	3,057,529	3,057,529
Capital projects loans:					
Chesapeake College project of 2014	2.0-4.0%	2014	2034	1,520,000	1,413,756
Chesapeake College	5.506%	2000	2020	535,000	142,834
Chesapeake College	3.500%	2003	2023	155,000	70,206
				<u>\$ 49,863,529</u>	<u>\$ 32,716,769</u>
Other components:					
Bond premiums					124,723
Long-term portion of unpaid vacation and sick pay benefits					1,182,320
Accrued landfill liability					1,235,184
Long-term obligations of Dayspring Townhomes					2,530,583
Capital leases					3,799,156
				<u>\$ 41,588,735</u>	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 are as follows:

Fiscal Year Ending June 30	Governmental Activities		Total Requirement
	Principal	Interest	
2017	\$ 2,268,428	\$ 1,154,221	\$ 3,422,649
2018	2,336,296	1,072,423	3,408,719
2019	2,358,926	982,919	3,341,845
2020	2,461,795	896,752	3,358,547
2021	2,521,633	803,090	3,324,723
2022 - 2026	8,904,994	2,804,929	11,709,923
2027 - 2031	6,151,616	1,157,594	7,309,210
2032 - 2036	2,531,172	238,416	2,769,588
thereafter	124,380	17,491	141,871
	<u>\$ 29,659,240</u>	<u>\$ 9,127,835</u>	<u>\$ 38,787,075</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, 2016) 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, 2016

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 \$1,148,629 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, 2016

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
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Total	261
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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, 2016

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). Orphans'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

Orphans' 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, 2016

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 1/30th 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 1/30th 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, 2016

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:

Actuarial	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Ranges from 15 to 19 years
Asset Valuation Method	4-year smoothed market
Inflation	2.50%
Salary Increases	3.50% including inflation
Investment Rate of Return	7.25%, 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
Note	No change in assumptions and cost methods

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016 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%
Total	100%	

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	\$ 8,289,886	\$ 5,137,000	\$ 2,510,032

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015	\$ 23,766,494	\$ 18,603,277	\$ 5,163,217
Changes for the year:			
Service cost	566,730	-	566,730
Interest	1,680,059	-	1,680,059
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(440,525)	-	(440,525)
Changes of assumptions	-	-	-
Contributions - employer	-	1,122,871	(1,122,871)
Contributions - member	-	74,503	(74,503)
Net investment income	-	638,387	(638,387)
Benefit payments, including refunds of member contributions	(1,186,533)	(1,186,533)	-
Administrative expense	-	(3,280)	3,280
Other	-	-	-
Net Changes	619,731	645,948	(26,217)
June 30, 2016	\$ 24,386,225	\$ 19,249,225	\$ 5,137,000

Plan fiduciary net position as a percentage of the total pension liability 78.93%

The components of pension expense, is as follows:

Description	Amount
The change in:	
Deferred outflows of resources	\$ (1,525,187)
Deferred inflows of resources	112,031
Net pension liability	(26,217)
Current year contributions	2,258,267
Total pension expense (income)	\$ 818,894

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ -	\$ 377,593
Changes of assumptions	521,028	-
Net difference between projected and actual earnings on pension plan investments	568,500	796,685
Year end June 30, 2016 contributions	2,258,267	-
Total	\$ 3,347,795	\$ 1,174,278

The \$2,258,267 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, 2017. 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:	
2017	\$ (82,163)
2018	(82,163)
2019	(82,162)
2020	183,399
2021	41,272
Thereafter	(62,933)
Total	\$ (84,750)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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.

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

Note 8. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in Benefit Terms	There were no benefit changes during the year.
Changes in Assumptions	Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining 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	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

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, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. 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, 2016

Note 8. Retirement Plans (continued)

Discount rate

A single discount rate of 7.55% 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 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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 7.55%, 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 6.55%	Current Discount	1% Increase to 8.55%
County	\$ 5,895,382	\$ 4,171,221	\$ 2,741,548
Board	5,893,695	4,170,028	2,740,764

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 \$1,480,175.

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, 2016

Note 8. Retirement Plans (continued)

At June 30, 2016, 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)	\$ 4,170,028
State's proportionate share of the net pension liability (Teachers' System)	42,446,720
Total	\$ 46,616,748

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016

Note 8. Retirement Plans (continued)

At June 30, 2016, the County reported the following related to pensions:

	<u>Board</u>	<u>County</u>
Employer's proportionate (percentage) of the collective net pension liability	0.0200659%	0.0200716%
Employer's proportionate share of the collective net pension liability	\$ 4,170,028	\$ 4,171,221
Pension expense recognized by the employer for the year ended June 30, 2015	\$ 2,315,618	\$ 347,321
Deferred outflows of resources, June 30, 2015	\$ 480,850	\$ 469,462
Year end June 30, 2015 contributions	(434,525)	(423,055)
Difference between expected and actual experience	367,293	367,398
Change in assumptions	208,743	208,804
Amortization of items allowed by GASB 68	(11,582)	(11,602)
Year end June 30, 2016 contributions	408,942	472,004
Deferred outflows of resources June 30, 2016	<u>\$ 1,019,721</u>	<u>\$ 1,083,011</u>
Deferred inflows of resources June 30, 2015	\$ 350,526	\$ 351,135
Difference between expected and actual experience	85,399	85,423
Amortization of items allowed by GASB 68	(87,632)	(87,784)
Deferred inflows of resources June 30, 2016	<u>\$ 348,293</u>	<u>\$ 348,774</u>
NPL June 30, 2015	\$ 3,202,423	\$ 3,207,990
Change in NPL factored for contributions	967,605	963,231
NPL June 30, 2016	<u>\$ 4,170,028</u>	<u>\$ 4,171,221</u>

The \$408,942 and \$472,004 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, 2017. Other amounts reported as deferred outflows of resources will be amortized over a five year period, as follows:

	2015 Amortization		2014 Amortization	
	Deferred Outflows		Deferred Inflows	
	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience	Change in assumptions
June 30,				
2017	91,849	42,875	(17,541)	11,602
2018	91,849	42,875	(17,541)	11,602
2019	91,849	42,875	(17,541)	11,601
2020	91,851	42,875	(17,541)	-
2021	-	37,304	(15,259)	-
Total	<u>367,398</u>	<u>208,804</u>	<u>(85,423)</u>	<u>34,805</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 8. Retirement Plans (continued)

	Total Payroll	Covered Payroll	On-Behalf By State
County-MD retirement and pension	\$ 11,606,013	\$ 1,455,966	\$ -
Board of Education	43,565,805	34,560,151	4,344,011
Library	838,623	671,609	131,849

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 \$56,615 for the year ended June 30, 2016.

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 \$16,840 to this plan for the year ended June 30, 2016.

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, 2016

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, 2015, the date of the last actuarial valuation, approximately 51 retirees and their beneficiaries were receiving benefits, and an estimated 169 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 General Fund. For the year ended June 30, 2016, the County paid for coverage at a total cost of \$90,786. The County made \$32,500 in contributions to the Trust during the year ended June 30, 2016.

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 General Fund, not from the Trust.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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)	\$	17,000
NOO amortization		192,000
Interest on NOO		(152,000)
<hr/>		
Annual OPEB cost		57,000
Contributions - pay as you go		(90,786)
Contributions - trust		(32,500)
<hr/>		
Increase in net OPEB prepaid		(66,286)
Net OPEB obligation/(prepaid) at beginning of year		(2,176,940)
<hr/>		
Net OPEB obligation/(prepaid) at end of year	\$	(2,243,226)

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>Schedule of Employer Contributions</u>				
Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)
June 30, 2015	\$ 199,000	\$ 239,788	120.50%	\$ (2,176,940)
June 30, 2016	\$ 57,000	\$ 123,286	216.29%	\$ (2,243,226)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$3,871,000, and the actuarial value of assets was \$4,883,512, resulting in an overfunding of the actuarial accrued liability (UAAL) by \$1,012,512. The covered payroll (annual payroll of active employees covered by the plan) was \$7,091,152, and the ratio of the UAAL to the covered payroll was -14.28% 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, 2016

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, 2015 actuarial valuation, the actuarial cost method used was Entry Age Normal. The actuarial assumptions included a 7.0 percent discount rate, 0.0 percent payroll increase and the medical trend rate for the HRA contribution and Medical Supplemental Plan subsidy is assumed to increase 5.0% annually. Assets are valued at market value. The UAAL is being amortized over a closed level dollar period of 20 years from July 1, 2016.

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, 2016, the Board paid for coverage of 358 retirees at a total cost to the Board of \$2,259,294.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$32,556,259. 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, 2016

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)	\$ 7,535,000
Adjustment to annual required contribution	(1,490,000)
Interest on net OPEB obligation	1,251,000
<hr/>	
Annual OPEB cost	7,296,000
Payments to retirees from general fund (includes prefunding contribution)	(2,259,294)
Prefunding contributions	(142,149)
<hr/>	
Increase in net OPEB obligation	4,894,557
Net OPEB obligation at beginning of year	32,556,259
<hr/>	
<u>Net OPEB obligation at end of year</u>	<u>\$ 37,450,816</u>

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
<hr/>			
2014	\$ 6,815,000	19.99%	\$ 27,643,426
2015	\$ 6,904,000	28.84%	\$ 32,556,259
2016	\$ 7,296,000	32.91%	\$ 37,450,816

Funding Status and Funding Progress

As of July 1, 2015 the actuarial accrued liability (AAL) for benefits was \$84.3 million with \$962,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$83.4 million. The annual payroll of active employees covered by the Plan was \$35 million and the ratio of the UAAL to covered payroll was 241.08%. As of June 30, 2016, there were \$1,025 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, 2016

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 a closed twenty-three year period based on a level percentage of projected payrolls.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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' <u>Pension Plan</u>	<u>LOSAP</u>	OPEB <u>Trust</u>	Retiree <u>Health Care</u>	<u>Totals</u>
ASSETS:					
Cash and cash equivalents	\$ 333,786	\$ -	\$ 44,140	\$ 14,381	\$ 392,307
Investments at fair value:					
Fixed income	6,823,727	-	1,605,335	-	8,429,062
Equity funds	13,206,431	-	3,335,093	-	16,541,524
Total investments at fair value	20,030,158	-	4,940,428	-	24,970,586
Due from other funds	-	-	-	-	-
Total assets	20,363,944	-	4,984,568	14,381	25,362,893
NET POSITION:					
Held in trust for participants	\$ 20,363,944	\$ -	\$ 4,984,568	\$ 14,381	\$ 25,362,893
Additions:					
Contributions:					
Plan sponsor	\$ 2,143,000	\$ -	\$ 32,500	\$ -	\$ 2,175,500
Employee	115,267	-	-	-	115,267
Gains	-	-	-	-	-
Interest and dividends	510,433	-	143,053	5	653,491
Total additions	2,768,700	-	175,553	5	2,944,258
Deductions:					
Benefits paid	1,272,334	-	-	-	1,272,334
Losses	313,953	-	57,322	-	371,275
Transfers (in) out	-	59,658	-	-	59,658
Administrative fees	67,694	-	17,175	10,983	95,852
Total deductions	1,653,981	59,658	74,497	10,983	1,799,119
Change in net position	1,114,719	(59,658)	101,056	(10,978)	1,145,139
Net position, beginning of year	19,249,225	59,658	4,883,512	25,359	24,217,754
Net position, end of year	\$ 20,363,944	\$ -	\$ 4,984,568	\$ 14,381	\$ 25,362,893

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 11. Leases

County

Capital lease - Capital lease obligations at June 30, 2016 consist of the following:

	<u>July 01, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>
Motorola Radio lease, interest at 3.22%; payable in annual installments of \$450,392, including interest through 2026	\$ -	\$ 3,799,156	\$ -	\$ 3,799,156
	\$ -	\$ 3,799,156	\$ -	\$ 3,799,156

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

<u>Fiscal Year Ending June 30</u>	
2017	\$ 450,392
2018	450,392
2019	450,392
2020	450,392
2021	450,392
2022 - 2026	2,251,958
	<u>4,503,918</u>
Less amounts representing interest	704,762
Present value of net minimum lease payments	<u>\$ 3,799,156</u>

Interest expense on the above capital lease was approximately \$122,000 for the year ended June 30, 2016.

The cost of items acquired under capital lease arrangements, as included in capital assets totaled \$4,299,156 and the related accumulated depreciation was \$192,911 at June 30, 2016.

Operating lease - The County has several operating leases for office space, office equipment and site rental. Lease payments for the fiscal year ended June 30, 2016 totaled approximately \$48,000. These leases expire at various dates through 2022.

At June 30, 2016, the County has contractual agreements requiring approximately the following annual rental payments:

<u>Fiscal Year Ending June 30</u>	
2017	\$ 36,000
2018	26,000
2019	21,000
2020	15,000
2021	5,000

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 11. Leases (continued)

Library

Operating lease - 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, 2016 were \$13,704.

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

<u>Fiscal Year Ending June 30</u>	
2017	\$ 13,704
2018	13,704
2019	13,704
2020	13,704
2021	13,704

Board of Education

Capital lease - 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, 2016 consist of the following:

	July 01, 2015	Additions	Payments	June 30, 2016
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	\$ -	\$ 219,965	\$ -
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017	219,417	-	84,670	134,747
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	-	165,339	2,313,022
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	-	97,064	1,594,155
	\$ 4,608,962	\$ -	\$ 567,038	\$ 4,041,924

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 11. Leases (continued)

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

<u>Fiscal Year Ending June 30</u>	
2017	\$ 475,644
2018	446,220
2019	429,168
2020	542,757
2021	564,665
2022 - 2026	1,778,949
2027 - 2029	669,490
	4,906,893
Less amounts representing interest	864,969
Present value of net minimum lease payments	\$ 4,041,924

Interest expense on the above capital leases was approximately \$154,000 for the year ended June 30, 2016.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$5,845,672 and the related accumulated depreciation was \$743,612 at June 30, 2016.

Operating lease - 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>	
2017	\$ 120,000
2018	13,000
2019	-
2020	-
2021	-

Rent expense under these leases totaled approximately \$327,000 for the year ended June 30, 2016.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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. 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.

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.

During 2016, the County withdrew from the Alliance and as a result received a \$1,260,827 refund, which was included in general fund miscellaneous revenue on the statement of revenues, expenditures and changes in fund balance.

Note 13. Joint Venture - Landfill closure and postclosure care costs

In 1991, the County Commissioners, in conjunction with Talbot, Queen Anne's, and Kent Counties, entered into a regional partnership known as the Midshore Regional Landfill Joint Venture. This venture was formed to provide a long-term, solid waste management solution for the four-county area. As part of the agreement, each of the four Counties agreed to host a solid waste facility for a twenty year period, giving the venture a total duration of eighty years. In 1991, the Midshore Regional Landfill opened in Talbot County and served the waste management needs of the four-County area for twenty years. This facility, owned and operated by the Maryland Environmental Service (MES), closed on December 31, 2010. The second Midshore facility, Midshore II, opened in Caroline County in January 2011 and is fully operational. After the facility in Caroline County reaches capacity, another landfill will be constructed in Queen Anne's County, with Kent County to follow in turn. Each County is required to, and has, set aside sufficient land to construct a landfill within their borders. The agreement expires when the last of the four landfills is closed.

Caroline County has a 23.82% financial interest in the Midshore Regional Landfill. In the event that expenditures 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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 13. Joint Venture - Landfill closure and postclosure care costs (continued)

Total closure and post closure costs for the landfills are \$17.5 million, with approximately \$4.2 million attributable to Caroline County. These costs are paid from tipping fees of acceptable waste delivered by or for the account of the counties. It is currently expected that sufficient funds will be available from landfill revenues to pay future closure and post closure costs. MES has accrued and reported a long-term liability of \$5.2 million as of June 30, 2016, determined by the estimated useful life of the landfill.

Similar to the post closure costs, each of the participating Counties is contingently liable for the debt related to the new facility, Midshore II. Midshore II was funded with project revenue bonds totaling \$21.0 million. As of June 30, 2016, \$5.0 million is attributable to Caroline County in the event of a default.

Each County is required to place its municipal waste in the landfill. The facility is also available to commercial waste disposal firms at the same price per ton as charged to the County governments.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2015. MES expects to satisfy these requirements as of June 30, 2016 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.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 15. Required fund disclosures

The following funds had expenditures exceed budgeted amounts.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	\$ 43,847,371	\$ 44,869,437	\$ (1,022,066)
Jonestown water system	13,250	24,607	(11,357)
Special grants	118,860	143,113	(24,253)
Local agricultural land preservation	10,000	19,000	(9,000)
Law library	10,050	18,214	(8,164)
Critical area forestry	2,000	3,918	(1,918)



Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2016

	<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	\$ 24,616,884	\$ 24,616,884	\$ 25,072,251	\$ 455,367
Penalties, interest and fees	300,000	300,000	254,052	(45,948)
Total taxes - property	24,916,884	24,916,884	25,326,303	409,419
Taxes – income	11,800,000	11,800,000	12,901,392	1,101,392
Taxes – other local:				
Recordation	1,200,000	1,200,000	1,601,962	401,962
Franchise tax	164,000	164,000	174,729	10,729
Mobile home	60,000	60,000	107,919	47,919
Total taxes – other local	1,424,000	1,424,000	1,884,610	460,610
Taxes – state-shared:				
Highway users	442,913	442,913	460,654	17,741
Licenses and permits:				
Liquor	56,000	56,000	64,001	8,001
Traders license	21,000	21,000	21,628	628
Building permits	95,000	95,000	118,499	23,499
Other	10,000	10,000	8,110	(1,890)
Total licenses and permits	182,000	182,000	212,238	30,238
Intergovernmental revenue:				
Grants from federal government:				
Federal disaster aid	-	-	75,512	75,512
Emergency management	71,800	71,800	71,852	52
Incremental grant	140,000	140,000	37,834	(102,166)
Other federal grants	10,956	10,956	1,818	(9,138)
Total grants from federal government	222,756	222,756	187,016	(35,740)

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues (continued):</u>				
Grants from state government:				
Equity grant	\$ 2,132,000	\$ 2,132,000	\$ 2,131,782	\$ (218)
Teacher retirement supplement	685,108	685,108	685,108	-
Police protection	154,251	154,251	152,274	(1,977)
Family services grant	148,431	148,431	140,893	(7,538)
Juvenile Drug Court	123,030	123,030	105,141	(17,889)
Fire companies	242,000	242,000	276,415	34,415
Other	51,220	51,220	56,435	5,215
Total grants from state government	3,536,040	3,536,040	3,548,048	12,008
Other Grants:				
School Resource Officer Grant	140,186	140,186	126,014	(14,172)
SRO full time	103,754	103,754	100,252	(3,502)
Total other grants	243,940	243,940	226,266	(17,674)
Charges for services:				
General government	107,000	107,000	104,675	(2,325)
Public safety	407,740	407,740	406,267	(1,473)
Public works	155,500	155,500	184,353	28,853
Recreation charges	65,904	65,904	90,597	24,693
Weed control	22,000	22,000	19,391	(2,609)
Total charges for services	758,144	758,144	805,283	47,139
Miscellaneous revenues:				
Interest	4,000	4,000	23,179	19,179
Rents	34,296	34,296	44,539	10,243
ESMEC refund	-	-	1,260,827	1,260,827
Other	-	-	113,273	113,273
Municipal infrastructure	22,876	22,876	23,058	182
Total miscellaneous revenues	61,172	61,172	1,464,876	1,403,704
Total revenues - General Fund	\$ 43,587,849	\$ 43,587,849	\$ 47,016,686	\$ 3,428,837

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Expenditures:</u>				
General government:				
County commissioners	\$ 485,294	\$ 485,294	\$ 505,746	\$ 20,452
Ethics commission	200	200	24	(176)
Judicial:				
Juvenile Drug Court	163,816	163,816	120,733	(43,083)
Family services grant	171,082	171,082	162,601	(8,481)
Circuit Court	297,332	297,332	295,617	(1,715)
Orphan's Court	19,145	19,145	19,937	792
State's attorney	745,379	745,379	760,327	14,948
Total judicial	1,396,754	1,396,754	1,359,215	(37,539)
Elections	451,394	451,394	382,193	(69,201)
State department of assessments	159,389	159,389	156,289	(3,100)
Tax Office	336,962	336,962	367,259	30,297
Office of Finance	420,737	420,737	427,987	7,250
Legal services	157,236	157,236	177,292	20,056
Office of Human Resources	406,559	406,559	429,132	22,573
Planning and codes administration	811,373	811,373	829,149	17,776
General services	210,152	210,152	1,176,569	966,417
Town planning grants	12,500	12,500	12,500	-
Health department contractual	-	-	46,430	46,430
Office of Technology	357,268	357,268	369,646	12,378
Total general government	5,205,818	5,205,818	6,239,431	1,033,613
Public safety:				
Sheriff's department	2,736,617	2,736,617	2,636,455	(100,162)
Courthouse security	236,103	236,103	246,117	10,014
School Resource Officer	183,819	183,819	168,019	(15,800)
Adult offender Comm. Service	30,720	30,720	25,077	(5,643)
SRO full time	100,133	100,133	100,261	128
Fire protection	1,499,081	1,499,081	1,495,562	(3,519)
Corrections	3,745,772	3,745,772	3,776,337	30,565
Emergency Services - admin.	229,460	229,460	237,626	8,166
Emergency Services - comm.	1,203,335	1,203,335	1,104,592	(98,743)
Emergency Services - services	2,372,563	2,372,563	2,546,804	174,241
Emergency Services - risk mgmt.	169,039	169,039	179,803	10,764
Animal control	279,000	279,000	279,000	-
Liquor licensing	69,886	69,886	55,644	(14,242)
Total public safety	12,855,528	12,855,528	12,851,297	(4,231)

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Expenditures (continued):</u>				
Public works:				
Administration	\$ 323,943	\$ 323,943	\$ 269,402	\$ (54,541)
Central shop	595,452	595,452	653,837	58,385
Solid waste disposal	232,073	232,073	226,412	(5,661)
Johnsongrass	76,350	76,350	85,331	8,981
Mosquito control	80,747	80,747	44,387	(36,360)
Roads	1,568,312	1,568,312	1,370,037	(198,275)
County buildings	605,958	605,958	547,316	(58,642)
Total public works	3,482,835	3,482,835	3,196,722	(286,113)
Health:				
Health Department	377,903	377,903	377,903	-
Other	74,945	74,945	234,935	159,990
Total health	452,848	452,848	612,838	159,990
Social services	147,953	147,953	146,828	(1,125)
Education:				
Primary education	13,765,180	13,765,180	13,765,180	-
Chesapeake College	1,575,078	1,575,078	1,582,243	7,165
Total education	15,340,258	15,340,258	15,347,423	7,165
Public library	1,132,435	1,132,435	1,132,435	-
Recreation and parks	888,462	888,462	915,915	27,453
Arts	5,000	5,000	5,000	-
Conservation of natural resources	135,413	135,413	135,413	-
Interfaith housing	6,000	6,000	6,000	-
Economic development	245,850	245,850	246,600	750
Contingency	282,893	282,893	406,760	123,867
Debt service:				
Principal	2,676,470	2,676,470	2,676,471	1
Interest	989,608	989,608	950,304	(39,304)
Total debt service	3,666,078	3,666,078	3,626,775	(39,303)
Total expenditures – General Fund	43,847,371	43,847,371	44,869,437	1,022,066

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2016

	<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	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Basic life support	730,000	730,000	1,211,967	(481,967)
FR fund balance	600,000	600,000	-	600,000
Recreation programs	2,500	2,500	2,500	-
Health department	-	-	160,000	(160,000)
Transfer out to:				
4-H park	(22,594)	(22,594)	(13,263)	(9,331)
Capital improvements	(600,000)	(600,000)	(1,929,484)	1,329,484
Capital reserve	(485,384)	(485,384)	(485,384)	-
CDBG	-	-	(57)	57
Jonestown water system	-	-	(8,354)	8,354
Sick leave unfunded liability	(40,000)	(40,000)	-	(40,000)
<hr/>				
Total other financing sources (uses) – General Fund	259,522	259,522	(987,075)	1,246,597
<hr/>				
Total expenditures and other financing sources (uses)	43,587,849	43,587,849	45,856,512	2,268,663
<hr/>				
Net change in fund balances	\$ -	\$ -	\$ 1,160,174	\$ 1,160,174
<hr/>				

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - SHS MEDICAL TRANSPORTATION
 YEAR ENDED JUNE 30, 2016

	<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, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
2015	June 30, 2014	0.018077%	\$ 3,207,990	\$ 1,362,323	235%	\$ 45,339,988,000	\$ 63,086,719,000	72%
2016	June 30, 2015	0.020072%	\$ 4,171,221	\$ 1,455,966	286%	\$ 45,789,840,000	\$ 66,571,552,000	69%

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, 2016

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	\$ 421,248	\$ 421,248	\$ -	\$ 1,362,323	31%
2016	June 30, 2015	\$ 423,055	\$ 423,055	\$ -	\$ 1,455,966	29%

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, 2016

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Changes in Benefit Terms	There were no benefit changes during the year.
Changes in Assumptions	Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining 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	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

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, 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension liability										
Service cost	\$ 566,730	\$ 539,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,680,059	1,601,310	-	-	-	-	-	-	-	-
Changes of benefit terms	(440,525)	(499,533)	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	729,440	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(1,186,533)	(1,382,453)	-	-	-	-	-	-	-	-
Net change in total pension liability	619,731	988,226	-	-	-	-	-	-	-	-
Total pension liability - beginning	23,766,494	22,778,268	-	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 24,386,225	\$ 23,766,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 1,122,871	\$ 1,091,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	74,503	35,137	-	-	-	-	-	-	-	-
Net investment income	638,387	2,505,358	-	-	-	-	-	-	-	-
Benefits payments, including refunds of members contributions	(1,186,533)	(1,382,453)	-	-	-	-	-	-	-	-
Administrative expense	(3,280)	(31,959)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	645,948	2,217,083	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	18,603,277	16,386,194	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 19,249,225	\$ 18,603,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's net pension liability - ending (a)-(b)	\$ 5,137,000	\$ 5,163,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	79%	78%	0%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	\$ 7,048,232	\$ 6,962,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	73%	74%	0%	0%	0%	0%	0%	0%	0%	0%
Expected average remaining service years	7	7	-	-	-	-	-	-	-	-

Notes to schedule:

Benefit changes: None

Changes of assumptions: None

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, 2016

	<i>(Dollar amounts in thousands)</i>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 902	\$ 1,005	\$ 1,167	\$ 1,122	\$ 935	\$ 788	\$ 999	\$ 1,008	\$ 986	\$ 902
Contributions in relation to the actuarially determined contribution	1,123	1,091	1,166	875	775	778	1,587	1,500	1,500	2,000
Contribution deficiency (excess)	\$ (221)	\$ (86)	\$ 1	\$ 247	\$ 160	\$ 10	\$ (588)	\$ (492)	\$ (514)	\$ (1,098)
Covered employee payroll	\$ 7,048	\$ 6,962	\$ 7,018	\$ 7,060	\$ 7,102	\$ 7,938	\$ 9,324	\$ 9,192	\$ 8,520	\$ 7,103
Contributions as a percentage of covered employee payroll	16%	16%	17%	12%	11%	10%	17%	16%	18%	28%

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	Remaining amortization periods range from 15 to 19 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, 2016

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, 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%
July 1, 2015	\$ 4,883,512	\$ 3,871,000	\$ (1,012,512)	126.16%	\$ 7,091,152	-14.28%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)
June 30, 2015	\$ 199,000	\$ 239,788	120.50%	\$ (2,176,940)
June 30, 2016	\$ 57,000	\$ 123,286	216.29%	\$ (2,243,226)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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, CDBG, 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, 2016.



Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds						
	Jonestown Water System	4-H Park	Special Grants Fund	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan
ASSETS:							
Cash and cash equivalents	\$ -	\$ 21,310	\$ -	\$ 92	\$ -	\$ 90,461	\$ 135,619
Accounts receivable	-	-	30,321	12,115	-	109,848	19,432
Due from other funds	-	-	3,542	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total assets	\$ -	\$ 21,310	\$ 33,863	\$ 12,207	\$ -	\$ 200,309	\$ 155,051
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 2,756	\$ 1,077	\$ 29,194	\$ 1,746	\$ -	\$ -	\$ -
Due to other funds	10,677	-	-	8,604	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	13,433	1,077	29,194	10,350	-	-	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	4,669	1,857	-	200,309	155,051
Committed	-	-	-	-	-	-	-
Assigned	-	20,233	-	-	-	-	-
Unassigned	(13,433)	-	-	-	-	-	-
Total fund balances (deficit)	(13,433)	20,233	4,669	1,857	-	200,309	155,051
Total liabilities and fund balances	\$ -	\$ 21,310	\$ 33,863	\$ 12,207	\$ -	\$ 200,309	\$ 155,051

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2016

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
ASSETS:							
Cash and cash equivalents	\$ -	\$ 24,176	\$ 29,500	\$ 2,110	\$ 27,856	\$ 17,728	\$ 5,861
Accounts receivable	-	-	-	-	-	3,251	1,485
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	2,000	-	-
Total assets	\$ -	\$ 24,176	\$ 29,500	\$ 2,110	\$ 29,856	\$ 20,979	\$ 7,346
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,398	\$ 1,148
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	20,863	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	20,863	7,398	1,148
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	24,176	-	-	-	13,581	6,198
Committed	-	-	29,500	2,110	-	-	-
Assigned	-	-	-	-	8,993	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	-	24,176	29,500	2,110	8,993	13,581	6,198
Total liabilities and fund balances	\$ -	\$ 24,176	\$ 29,500	\$ 2,110	\$ 29,856	\$ 20,979	\$ 7,346

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2016

Special Revenue Funds

	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities
ASSETS:						
Cash and cash equivalents	\$ 22,058	\$ 23,533	\$ -	\$ 63,491	\$ 362,889	\$ -
Accounts receivable	-	-	25,965	-	-	-
Due from other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	\$ 22,058	\$ 23,533	\$ 25,965	\$ 63,491	\$ 362,889	\$ -
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 2,358	\$ -	\$ -	\$ -
Due to other funds	-	-	24,737	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	-	-	27,095	-	-	-
Fund balances:						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	22,058	23,533	-	-	-	-
Assigned	-	-	-	63,491	362,889	-
Unassigned	-	-	(1,130)	-	-	-
Total fund balances (deficit)	22,058	23,533	(1,130)	63,491	362,889	-
Total liabilities and fund balances	\$ 22,058	\$ 23,533	\$ 25,965	\$ 63,491	\$ 362,889	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2016

	Special Revenue Funds		Capital Projects	Totals
	Drug Task Force	Dayspring Townhomes	Fund Educational Facilities	
ASSETS:				
Cash and cash equivalents	\$ 138,817	\$ 29,878	\$ 246,289	\$ 1,241,668
Accounts receivable	-	7,968	-	210,385
Due from other funds	-	-	-	3,542
Other assets	-	695,937	-	697,937
Total assets	\$ 138,817	\$ 733,783	\$ 246,289	\$ 2,153,532
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 11	\$ 14,115	\$ -	\$ 59,803
Due to other funds	466	-	-	44,484
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	20,863
Other liabilities	-	25,140	-	25,140
Total liabilities	477	39,255	-	150,290
Fund balances:				
Non-spendable	-	-	-	-
Restricted	138,340	694,528	-	1,238,709
Committed	-	-	246,289	323,490
Assigned	-	-	-	455,606
Unassigned	-	-	-	(14,563)
Total fund balances (deficit)	138,340	694,528	246,289	2,003,242
Total liabilities and fund balances	\$ 138,817	\$ 733,783	\$ 246,289	\$ 2,153,532

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

	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	-	-	143,441	40,711	-	-	-
Charges for services	13,078	-	-	-	-	-	-
Miscellaneous revenues	-	17,346	-	-	-	3,877	875
Total revenues	13,078	17,346	143,441	40,711	-	3,877	875
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	40,203	-	-	-
Public works	24,607	-	-	-	-	-	-
Recreation and culture	-	30,609	-	-	-	-	-
Economic development	-	-	143,113	-	-	15,000	-
Total expenditures	24,607	30,609	143,113	40,203	-	15,000	-
Excess (deficiency) of revenues over expenditures	(11,529)	(13,263)	328	508	-	(11,123)	875
Other financing sources (uses):							
Transfers in (out)	8,354	13,263	-	-	57	-	-
Total other financing sources (uses)	8,354	13,263	-	-	57	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,175)	-	328	508	57	(11,123)	875
Fund balances (deficit), beginning	(10,258)	20,233	4,341	1,349	(57)	211,432	154,176
Fund balances (deficit), ending	\$ (13,433)	\$ 20,233	\$ 4,669	\$ 1,857	\$ -	\$ 200,309	\$ 155,051

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
Revenues:							
Taxes	\$ -	\$ -	\$ 15,250	\$ 990	\$ -	\$ -	\$ -
Licenses and permits	150	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous revenues	-	24,176	-	-	41,807	150,906	8,467
Total revenues	150	24,176	15,250	990	41,807	150,906	8,467
Expenditures:							
General government	-	-	19,000	12,292	-	-	18,214
Public safety	150	-	-	-	-	143,918	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	38,189	-	-
Economic development	-	-	-	-	-	-	-
Total expenditures	150	-	19,000	12,292	38,189	143,918	18,214
Excess (deficiency) of revenues over expenditures	-	24,176	(3,750)	(11,302)	3,618	6,988	(9,747)
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	24,176	(3,750)	(11,302)	3,618	6,988	(9,747)
Fund balances (deficit), beginning	-	-	33,250	13,412	5,375	6,593	15,945
Fund balances (deficit), ending	\$ -	\$ 24,176	\$ 29,500	\$ 2,110	\$ 8,993	\$ 13,581	\$ 6,198

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

	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	-	-	94,619	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	1,350	-
Total revenues	-	-	94,619	-	1,350	-
Expenditures:						
General government	3,918	1,000	-	-	-	-
Public safety	-	-	94,619	-	-	-
Public works	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Economic development	-	-	-	1,314	-	-
Total expenditures	3,918	1,000	94,619	1,314	-	-
Excess (deficiency) of revenues over expenditures	(3,918)	(1,000)	-	(1,314)	1,350	-
Other financing sources (uses):						
Transfers in (out)	-	-	-	-	(160,000)	-
Total other financing sources (uses)	-	-	-	-	(160,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,918)	(1,000)	-	(1,314)	(158,650)	-
Fund balances (deficit), beginning	25,976	24,533	(1,130)	64,805	521,539	-
Fund balances (deficit), ending	\$ 22,058	\$ 23,533	\$ (1,130)	\$ 63,491	\$ 362,889	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

	Special Revenue Funds		Capital Projects Fund	Totals
	Drug Task Force	Dayspring Townhomes	Educational Facilities	
Revenues:				
Taxes	\$ -	\$ -	\$ 146,958	\$ 163,198
Licenses and permits	-	-	-	150
Intergovernmental revenues	-	-	-	278,771
Charges for services	-	-	-	13,078
Miscellaneous revenues	51,395	305,575	-	605,774
Total revenues	51,395	305,575	146,958	1,060,971
Expenditures:				
General government	-	295,208	-	349,632
Public safety	22,944	-	-	301,834
Public works	-	-	-	24,607
Recreation and culture	-	-	-	68,798
Economic development	-	-	-	159,427
Total expenditures	22,944	295,208	-	904,298
Excess (deficiency) of revenues over expenditures	28,451	10,367	146,958	156,673
Other financing sources (uses):				
Transfers in (out)	-	-	(75,000)	(213,326)
Total other financing sources (uses)	-	-	(75,000)	(213,326)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	28,451	10,367	71,958	(56,653)
Fund balances (deficit), beginning	109,889	684,161	174,331	2,059,895
Fund balances (deficit), ending	\$ 138,340	\$ 694,528	\$ 246,289	\$ 2,003,242

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2016

	AGENCY										Totals
	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	
ASSETS:											
Cash and cash equivalents	\$ 23,866	\$ 56,378	\$ 10,108	\$ 4,959	\$ 10,211	\$ 1,806	\$ 21,730	\$ 34,688	\$ 426,027	\$ 250	\$ 590,023
Taxes and other receivables	22,527	41,680	-	-	-	-	-	-	-	-	64,207
Total assets	\$ 46,393	\$ 98,058	\$ 10,108	\$ 4,959	\$ 10,211	\$ 1,806	\$ 21,730	\$ 34,688	\$ 426,027	\$ 250	\$ 654,230
LIABILITIES:											
Accounts payable	\$ -	\$ -	\$ 10,108	\$ -	\$ 10,211	\$ -	\$ 21,730	\$ -	\$ -	\$ -	\$ 42,049
Due to property owners	-	-	-	-	-	-	-	-	426,027	-	426,027
Due to other governments	46,393	98,058	-	4,959	-	-	-	34,688	-	250	184,348
Due to participants	-	-	-	-	-	1,806	-	-	-	-	1,806
Total liabilities	\$ 46,393	\$ 98,058	\$ 10,108	\$ 4,959	\$ 10,211	\$ 1,806	\$ 21,730	\$ 34,688	\$ 426,027	\$ 250	\$ 654,230

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
State Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 19,099	\$ 2,350,965	\$ 2,346,198	\$ 23,866
Taxes and other receivables	22,398	2,808,440	2,808,311	22,527
Total assets	\$ 41,497	\$ 5,159,405	\$ 5,154,509	\$ 46,393
Liabilities:				
Due to other governments	\$ 41,497	\$ 2,808,440	\$ 2,803,544	\$ 46,393
Total liabilities	\$ 41,497	\$ 2,808,440	\$ 2,803,544	\$ 46,393
Town Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 53,511	\$ 5,363,639	\$ 5,360,772	\$ 56,378
Taxes and other receivables	31,211	5,392,049	5,381,580	41,680
Total assets	\$ 84,722	\$ 10,755,688	\$ 10,742,352	\$ 98,058
Liabilities:				
Due to other governments	\$ 84,722	\$ 5,392,049	\$ 5,378,713	\$ 98,058
Total liabilities	\$ 84,722	\$ 5,392,049	\$ 5,378,713	\$ 98,058
DMV Tag Sales Fund:				
Assets:				
Cash and cash equivalents	\$ 6,841	\$ 305,687	\$ 302,420	\$ 10,108
Total assets	\$ 6,841	\$ 305,687	\$ 302,420	\$ 10,108
Liabilities:				
Accounts Payable	\$ 6,841	\$ 305,687	\$ 302,420	\$ 10,108
Total liabilities	\$ 6,841	\$ 305,687	\$ 302,420	\$ 10,108

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Hotel Rental Tax:				
Assets:				
Cash and cash equivalents	\$ 3,745	\$ 46,463	\$ 45,249	\$ 4,959
Total assets	\$ 3,745	\$ 46,463	\$ 45,249	\$ 4,959
Liabilities:				
Due to other governments	\$ 3,745	\$ 46,463	\$ 45,249	\$ 4,959
Total liabilities	\$ 3,745	\$ 46,463	\$ 45,249	\$ 4,959
Tax Sale Proceeds Fund:				
Assets:				
Cash and cash equivalents	\$ 18,629	\$ 772,799	\$ 781,217	\$ 10,211
Total assets	\$ 18,629	\$ 772,799	\$ 781,217	\$ 10,211
Liabilities:				
Accounts payable	\$ 18,629	\$ 772,799	\$ 781,217	\$ 10,211
Total liabilities	\$ 18,629	\$ 772,799	\$ 781,217	\$ 10,211
Inmate Account:				
Assets:				
Cash and cash equivalents	\$ 1,232	\$ 114,512	\$ 113,938	\$ 1,806
Total assets	\$ 1,232	\$ 114,512	\$ 113,938	\$ 1,806
Liabilities:				
Due to participants	\$ 1,232	\$ 114,512	\$ 113,938	\$ 1,806
Total liabilities	\$ 1,232	\$ 114,512	\$ 113,938	\$ 1,806

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Confiscated Properties Fund:				
Assets:				
Cash and cash equivalents	\$ 20,333	\$ 11,884	\$ 10,487	\$ 21,730
Total assets	\$ 20,333	\$ 11,884	\$ 10,487	\$ 21,730
Liabilities:				
Accounts payable	\$ 20,333	\$ 11,884	\$ 10,487	\$ 21,730
Total liabilities	\$ 20,333	\$ 11,884	\$ 10,487	\$ 21,730
Bay Restoration Fund:				
Assets:				
Cash and cash equivalents	\$ 35,225	\$ 523,610	\$ 524,147	\$ 34,688
Total assets	\$ 35,225	\$ 523,610	\$ 524,147	\$ 34,688
Liabilities:				
Due to other governments	\$ 35,225	\$ 523,610	\$ 524,147	\$ 34,688
Total liabilities	\$ 35,225	\$ 523,610	\$ 524,147	\$ 34,688
Public Drainage Association:				
Assets:				
Cash and cash equivalents	\$ 398,863	\$ 129,756	\$ 102,592	\$ 426,027
Total assets	\$ 398,863	\$ 129,756	\$ 102,592	\$ 426,027
Liabilities:				
Due to property owners	\$ 398,863	\$ 129,756	\$ 102,592	\$ 426,027
Total liabilities	\$ 398,863	\$ 129,756	\$ 102,592	\$ 426,027

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Home Builder Guaranty Fund				
Assets:				
Cash and cash equivalents	\$ 450	\$ 1,200	\$ 1,400	\$ 250
Total assets	\$ 450	\$ 1,200	\$ 1,400	\$ 250
Liabilities:				
Due to other governments	\$ 450	\$ 1,200	\$ 1,400	\$ 250
Total liabilities	\$ 450	\$ 1,200	\$ 1,400	\$ 250
Total Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 557,928	\$ 9,620,515	\$ 9,588,420	\$ 590,023
Taxes and other receivables	53,609	8,200,489	8,189,891	64,207
Total assets	\$ 611,537	\$ 17,821,004	\$ 17,778,311	\$ 654,230
Liabilities:				
Accounts payable	\$ 45,803	\$ 1,090,370	\$ 1,094,124	\$ 42,049
Due to property owners	398,863	129,756	102,592	426,027
Due to other governments	165,639	8,771,762	8,753,053	184,348
Due to participants	1,232	114,512	113,938	1,806
Total liabilities	\$ 611,537	\$ 10,106,400	\$ 10,063,707	\$ 654,230

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS

June 30, 2016

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 181,233	\$ 267,292	\$ -	\$ 448,525
Accounts receivable	135,377	63,595	49,001	247,973
Prepaid expenses	1,372	-	-	1,372
Due from other funds	-	501	-	501
Total current assets	317,982	331,388	49,001	698,371
Noncurrent assets:				
Capital assets, net	-	21,393	677,014	698,407
Total assets	317,982	352,781	726,015	1,396,778
LIABILITIES:				
Current liabilities:				
Accounts payable	55,279	3,073	49,969	108,321
Unearned revenue	16,845	-	-	16,845
Due to other funds	-	-	104,606	104,606
Total current liabilities	72,124	3,073	154,575	229,772
Noncurrent liabilities:				
Long-term debt	-	-	-	-
Total liabilities	72,124	3,073	154,575	229,772
NET POSITION:				
Invested in capital assets	-	21,393	677,014	698,407
Unrestricted	245,858	328,315	(105,574)	468,599
Total net position	\$ 245,858	\$ 349,708	\$ 571,440	\$ 1,167,006

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
Operating revenues:				
Charges for services	\$ 240,536	\$ 505,633	\$ 468,391	\$ 1,214,560
Total operating revenues	240,536	505,633	468,391	1,214,560
Operating expenses:				
Personnel services	508,504	-	21,448	529,952
Operations and maintenance	318,323	460,661	213,298	992,282
Depreciation expense	-	1,990	61,688	63,678
Total operating expenses	826,827	462,651	296,434	1,585,912
Operating income (loss)	(586,291)	42,982	171,957	(371,352)
Nonoperating revenues (expenses):				
Intergovernmental revenues	623,477	-	-	623,477
Total nonoperating revenues (expenses)	623,477	-	-	623,477
Transfers in (out)	(2,500)	-	-	(2,500)
Change in net position	34,686	42,982	171,957	249,625
Net position, beginning of year	211,172	306,726	399,483	917,381
Net position, end of year	\$ 245,858	\$ 349,708	\$ 571,440	\$ 1,167,006

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2016

	Recreation Programs	Public Works	Broadband Supply Fund	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 283,836	\$ 511,452	\$ 439,343	\$ 1,234,631
Cash paid to suppliers	(323,050)	(460,992)	(266,513)	(1,050,555)
Cash paid to employees	(508,504)	-	-	(508,504)
Net cash provided (used) by operating activities	(547,718)	50,460	172,830	(324,428)
Cash flows from noncapital financing activities				
Intergovernmental	623,477	-	-	623,477
Transfer in (out)	(2,500)	-	-	(2,500)
Receipt (payment) of interfund loan	-	(198)	104,606	104,408
Net cash provided (used) by noncapital financing activities	620,977	(198)	104,606	725,385
Cash flows from capital and financing activities				
Acquisition of capital assets	-	-	(504,725)	(504,725)
Net cash provided (used) by capital and financing activities	-	-	(504,725)	(504,725)
Net increase (decrease) in cash and cash equivalents	73,259	50,262	(227,289)	(103,768)
Cash and cash equivalents, beginning of year	107,974	217,030	227,289	552,293
Cash and cash equivalents, end of year	\$ 181,233	\$ 267,292	\$ -	\$ 448,525
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (586,291)	\$ 42,982	\$ 171,957	\$ (371,352)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	1,990	61,688	63,678
Decrease (increase) in accounts receivable	54,584	5,819	(26,825)	33,578
Decrease (increase) in prepaid expense	(1,372)	-	-	(1,372)
Increase (decrease) in accounts payable	(3,355)	(331)	(31,767)	(35,453)
Increase (decrease) in unearned revenue	(11,284)	-	(2,223)	(13,507)
Net cash provided (used) by operating activities	\$ (547,718)	\$ 50,460	\$ 172,830	\$ (324,428)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND
 YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 250,000	\$ 250,000	\$ 539,198	\$ 289,198
Intergovernmental revenues	3,334,424	3,334,424	3,197,156	(137,268)
Miscellaneous revenues	147,378	147,378	210,301	62,923
Total revenues	3,731,802	3,731,802	3,946,655	214,853
<u>Expenditures:</u>				
General government	221,005	221,005	225,791	4,786
Public safety	1,054,323	1,054,323	4,807,902	3,753,579
Public works	3,765,657	3,765,657	2,843,537	(922,120)
Primary education	6,122,000	6,122,000	1,767,213	(4,354,787)
Public Library	44,000	44,000	44,000	-
Recreation and parks	710,745	710,745	1,933,190	1,222,445
Total expenditures	11,917,730	11,917,730	11,621,633	(296,097)
Excess (deficiency) of revenues over expenditures	(8,185,928)	(8,185,928)	(7,674,978)	510,950
<u>Other financing sources (uses):</u>				
Transfers in (out)	1,354,000	1,354,000	2,414,868	1,060,868
Fund balance re-appropriated	349,186	349,186	-	(349,186)
Proceeds from issuance of debt	6,482,742	6,482,742	3,799,156	(2,683,586)
Total other financing sources (uses)	8,185,928	8,185,928	6,214,024	(1,971,904)
Net change in fund balances	\$ -	\$ -	\$ (1,460,954)	\$ (1,460,954)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND
 YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 75,000	\$ 75,000	\$ 146,958	\$ 71,958
Total revenues	75,000	75,000	146,958	71,958
<u>Expenditures</u>				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	75,000	75,000	146,958	71,958
<u>Other financing sources (uses):</u>				
Transfers in (out)	(75,000)	(75,000)	(75,000)	-
<u>Net change in fund balances</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,958</u>	<u>\$ 71,958</u>

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

YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Jonestown Water System</u>				
Revenues:				
Charges for services	\$ 13,250	\$ 13,250	\$ 13,078	\$ (172)
Expenditures:				
Public works	13,250	13,250	24,607	11,357
Other financing sources (uses):				
Transfers in	-	-	8,354	8,354
Revenues over (under) expenditures	\$ -	\$ -	\$ (3,175)	\$ (3,175)
<u>4-H Park:</u>				
Revenues:				
Miscellaneous revenues	\$ 14,728	\$ 14,728	\$ 17,346	\$ 2,618
Expenditures:				
Recreation and culture	37,322	37,322	30,609	(6,713)
Other financing sources(uses):				
Transfers in	22,594	22,594	13,263	(9,331)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Special Grants</u>				
Revenues:				
Intergovernmental revenues	\$ 118,860	\$ 118,860	\$ 143,441	\$ 24,581
Expenditures:				
Economic development	118,860	118,860	143,113	24,253
Revenues over (under) expenditures	\$ -	\$ -	\$ 328	\$ 328
<u>OJP Grant Law Enforcement:</u>				
Revenues:				
Intergovernmental revenues	\$ 44,000	\$ 44,000	\$ 40,711	\$ (3,289)
Expenditures:				
Public safety	44,000	44,000	40,203	(3,797)
Revenues over (under) expenditures	\$ -	\$ -	\$ 508	\$ 508

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

YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Local Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 10,000	\$ 10,000	\$ 15,250	\$ 5,250
Expenditures:				
General government	10,000	10,000	19,000	9,000
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,750)</u>	<u>\$ (3,750)</u>
<u>State Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 15,000	\$ 15,000	\$ 990	\$ (14,010)
Expenditures:				
General government	15,000	15,000	12,292	(2,708)
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,302)</u>	<u>\$ (11,302)</u>
<u>Summerfest Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 38,600	\$ 38,600	\$ 41,807	3,207
Expenditures:				
Recreation and culture	38,600	38,600	38,189	(411)
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,618</u>	<u>\$ 3,618</u>
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 176,000	\$ 176,000	\$ 150,906	\$ (25,094)
Expenditures:				
Public safety	176,000	176,000	143,918	(32,082)
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,988</u>	<u>\$ 6,988</u>
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 10,050	\$ 10,050	\$ 8,467	\$ (1,583)
Expenditures:				
General government	10,050	10,050	18,214	8,164
<u>Revenues over (under) expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,747)</u>	<u>\$ (9,747)</u>

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

YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Critical Area Forestry:</u>				
Revenues:				
Miscellaneous revenues	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Expenditures:				
General government	2,000	2,000	3,918	1,918
Revenues over (under) expenditures	\$ -	\$ -	\$ (3,918)	\$ (3,918)
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Expenditures:				
General government	3,000	3,000	1,000	(2,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,000)	\$ (1,000)
<u>Emergency Management Grant:</u>				
Revenues:				
Intergovernmental revenues	\$ 130,738	\$ 130,738	\$ 94,619	\$ (36,119)
Expenditures:				
Public safety	130,738	130,738	94,619	(36,119)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Business & Technology Park Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 64,500	\$ 64,500	\$ -	\$ (64,500)
Expenditures:				
Economic development	64,500	64,500	1,314	(63,186)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,314)	\$ (1,314)

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

YEAR ENDED June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Stormwater Facilities:</u>				
Revenues:				
Miscellaneous revenues	\$ 10,000	\$ 10,000	\$ -	(10,000)
Expenditures:				
Public works	10,000	10,000	-	(10,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Drug Task Force:</u>				
Revenues:				
Miscellaneous revenues	\$ 100,587	\$ 100,587	\$ 51,395	(49,192)
Expenditures:				
Public safety	100,587	100,587	22,944	(77,643)
Revenues over (under) expenditures	\$ -	\$ -	\$ 28,451	\$ 28,451

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS
YEAR ENDED June 30, 2016

Revenue:		
State-shared taxes	\$	460,654
<hr/>		
Expenditures – public works:		
General administration		269,402
Central shop		653,838
Highways and roads		1,370,037
Debt service		191,638
General services		36,016
Capital road expenditures		2,843,537
<hr/>		
Total expenditures – highway users		5,364,468
<hr/>		
Excess (deficiency) of revenues over expenditures – highway users	\$	(4,903,814)
<hr/> <hr/>		

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2016

		<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance With Final Budget</u>
			<u>Original</u>	<u>Final</u>	
1/2 FF&E Cost for Allied Health Bldg	\$	51,063			
Fund Raising Match		12,040			
Hobbs Flares		17,265			
Fund Raising Match		12,960			
First Installment RVFC New EMS Station		175,000			
Animal Van Conversion		13,900			
Settlement Law Suit Maintenance		25,640			
Benches & Reciptacles Marydel Park		11,360			
Office Furniture/ Human Resources		8,470			
Sheriff Rm Cabinet		6,696			
Miscellaneous		72,366			
		406,760	282,893	282,893	(123,867)
<u>Total expenditures – Contingency Fund</u>	\$	<u>406,760</u>	\$ <u>282,893</u>	\$ <u>282,893</u>	\$ <u>(123,867)</u>



STATISTICAL SECTION

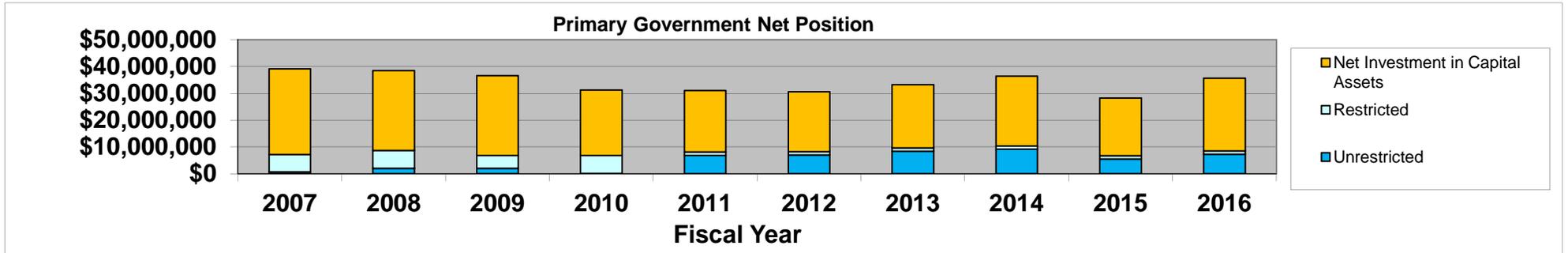
STATISTICAL SECTION

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>
Financial Trends 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
Revenue Capacity Schedules contain information to help the reader assess the Counties most significant local revenue source, property taxes.	5, 6, 7 & 8
Debt Capacity Schedules present information to help the reader assess the affordability of the Counties current level of outstanding debt and the Counties ability to issue additional debt in the future.	9,10,11 & 12
Economic and Demographic Information Schedules offer economic and demographic indicators to help the reader understand the environment within which the Counties financial activities take place.	13,14,& 15
Operating Information Schedules contain service and infrastructure data to help the reader understand how the information in the 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,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 26,457,210
Restricted for:										
Capital Projects	5,706,098	5,698,035	3,791,417	5,547,595	-	-	-	-	-	-
Other Purposes	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	1,238,709
Unrestricted	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	6,167,869
Total Government Activities Net Position	\$ 38,629,442	\$ 37,355,324	\$ 35,192,376	\$ 27,344,435	\$ 30,401,341	\$ 29,647,719	\$ 31,369,144	\$ 35,004,611	\$ 26,651,031	\$ 33,863,788
Business-type Activities										
Net Investment in Capital Assets	\$ 379,187	\$ 788,442	\$ 786,170	\$ 3,633,900	\$ 335,514	\$ 345,023	\$ 1,194,728	\$ 240,041	\$ 257,360	\$ 698,407
Unrestricted	159,179	351,383	610,117	211,922	334,353	606,197	671,536	1,167,628	1,329,005	1,110,732
Total Business-type Activities Net Position	\$ 538,366	\$ 1,139,825	\$ 1,396,287	\$ 3,845,822	\$ 669,867	\$ 951,220	\$ 1,866,264	\$ 1,407,669	\$ 1,586,365	\$ 1,809,139
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 27,155,617
Restricted	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	1,238,709
Unrestricted	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	7,278,601
Total Primary Government Net Position	\$ 39,167,808	\$ 38,495,149	\$ 36,588,663	\$ 31,190,257	\$ 31,071,208	\$ 30,598,939	\$ 33,235,408	\$ 36,412,280	\$ 28,237,396	\$ 35,672,927



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

Years ended June 30,	<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>	<u>2016</u>
Expenses										
Government Activities:										
General Government	\$ 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	\$ 6,399,850
Public Safety	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	14,508,616
Public Works	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	3,159,719
Health	945,008	1,049,262	1,022,864	962,574	621,859	456,265	454,796	452,838	452,838	615,293
Social Services	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129	133,412	131,212	135,638	138,128	146,828
Primary Education	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	15,532,393
Secondary Education	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	1,555,622
Recreation and Culture	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	1,401,868
Library	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	1,176,435
Conservation of Natural	1,640,418	1,282,299	1,624,572	477,288	765,874	336,609	337,131	175,454	180,296	180,629
Economic Development	351,676	387,535	1,305,488	311,172	357,460	1,172,532	1,349,254	446,998	512,050	406,027
Public Housing	480,874	593,925	403,937	483,684	315,255	-	6,000	6,000	6,000	6,000
Interest on Long Term Debt	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	950,304
<i>Total Government Activities Expenses</i>	<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>	<u>46,039,584</u>
Business-type Activities										
Broadband supply	11,040	26,406	101,000	156,337	114,178	140,066	178,451	173,482	168,411	296,434
Interest on Long Term Debt -HAPS Building	166,073	159,761	153,203	147,446	-	-	-	-	-	-
Health and Public Service	293,033	329,295	314,953	334,437	-	-	-	-	-	-
Recreation	684,407	733,518	694,240	759,223	619,732	681,819	495,678	445,607	525,511	826,827
Public Works	611,436	804,193	585,571	581,872	755,518	814,760	826,306	819,952	644,655	462,651
Basic Life Support	364,825	410,995	382,184	542,224	517,036	531,269	572,597	425,067	650,905	312,322
<i>Total Business-type Activities Expense</i>	<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>	<u>1,898,234</u>
<i>Total Primary Government Expenses</i>	<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>	<u>47,937,818</u>

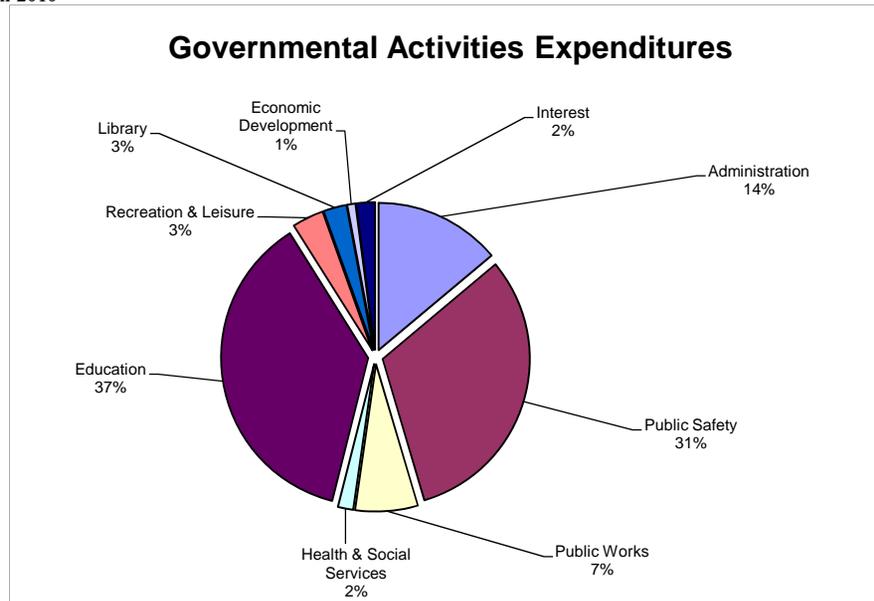
Caroline County, Maryland
Changes in Net Position
Last Ten Years
(accrual basis of accounting)
Schedule 2

Years ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental Activities										
General Government	\$ 585,852	\$ 550,340	\$ 595,842	\$ 791,199	\$ 745,765	\$ 1,620,463	\$ 1,830,440	\$ 1,741,265	\$ 1,732,191	\$ 1,793,438
Public Safety	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	1,583,591
Public Works	4,470,889	4,663,886	3,708,693	669,237	1,118,952	855,996	693,388	984,496	712,602	1,666,062
Health		37,557	33,082	44,993	48,413	243	196	137	117	150
Social Services	1,112,316	1,077,441	951,127	1,508,785	1,117,280		7,258	536	932	-
Recreation and Culture	865,305	1,034,659	827,335	197,013	900,348	175,116	164,911	510,942	321,945	2,005,280
Library	141,539	-	-	-	-	-	-	5,500	-	-
Conservation of Natural Resources	104,298	166,778	154,706	240,903	331,508	164,866	176,201	130	74,178	8,338
Economic Development	823,059	766,205	1,674,404	266,154	133,372	1,071,275	1,090,517	285,469	253,119	143,441
Public Housing	356,772	504,416	393,834	455,943	296,401	-	-	-	-	-
Interest	14,743	6,636	11,278	9,365	7,410	-	-	-	-	-
<i>Total Government Activities Program Revenues</i>	<u>10,873,024</u>	<u>10,974,573</u>	<u>10,588,389</u>	<u>5,747,275</u>	<u>6,291,183</u>	<u>5,322,110</u>	<u>6,039,789</u>	<u>5,610,199</u>	<u>4,818,758</u>	<u>7,200,300</u>
Business-type Activities										
Charges for Service										
Jonestown	-	-	-	-	-	-	791,440	-	-	-
Broadband	-	56,784	181,160	152,586	171,450	219,169	228,248	229,222	230,235	468,391
Health and Public Service	385,597	526,558	498,215	482,358	-	-	-	-	-	-
Recreation	245,766	200,936	200,295	159,194	173,827	167,309	184,591	188,985	580,264	864,013
Public Works	632,134	829,427	644,480	648,923	790,680	863,618	870,044	891,077	717,510	505,633
Basic Life Support	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	1,497,438
Operating Grants-Recreation	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)	(1,214,467)
<i>Total Business-type Activities Revenue</i>	<u>2,594,534</u>	<u>3,177,249</u>	<u>3,106,887</u>	<u>4,971,074</u>	<u>(1,169,491)</u>	<u>2,449,267</u>	<u>2,988,076</u>	<u>1,405,513</u>	<u>2,168,178</u>	<u>2,121,008</u>
Net (Expense)/Revenue										
Governmental Activities	(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)	(38,839,284)
Business-type Activities	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696	222,774
	<u>(36,706,659)</u>	<u>(37,582,394)</u>	<u>(38,006,750)</u>	<u>(40,863,495)</u>	<u>(42,381,589)</u>	<u>(40,075,002)</u>	<u>(37,865,436)</u>	<u>(38,889,607)</u>	<u>(40,210,857)</u>	<u>(38,616,510)</u>

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

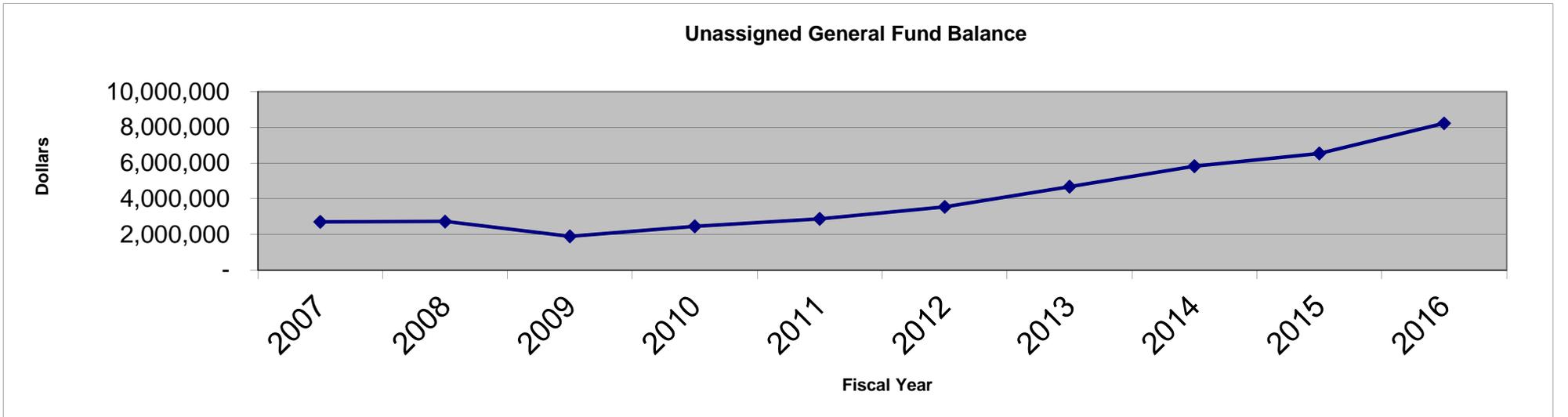
Years ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Government Activities										
Property Taxes	\$ 17,775,491	\$ 19,369,182	\$ 21,320,919	\$ 23,245,019	\$ 23,892,084	\$ 23,932,023	\$ 24,106,972	\$ 24,718,235	\$ 24,922,043	\$ 25,339,865
Other Taxes	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	15,297,429
Operating Grants Unrestricted	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	2,794,257
Other	1,056,348	544,817	232,447	22,311	(60,536)	20,076	20,505	16,265	16,546	1,406,023
Net Transfers out	-	-	-	(1,765,031)	3,975,947	675,176	769,200	1,598,264	778,944	1,214,467
Total Government Activities/Primary Government	35,410,931	36,909,735	36,100,264	35,465,089	42,262,540	39,602,733	40,501,905	42,066,479	43,141,019	46,052,041
Change in Net Position										
Governmental Activities	(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	7,212,757
Business-type Activities	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696	222,774
\$ (1,295,728)	\$ (672,659)	\$ (1,906,486)	\$ (5,398,406)	\$ (119,049)	\$ (472,269)	\$ 2,636,469	\$ 3,176,872	\$ 2,930,162	\$ 7,435,531	

* 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,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-Spendable	\$ 339,754	\$ 337,676	\$ 247,230	\$ 235,828	\$ 245,951	\$ 196,238	\$ 249,857	\$ 299,395	\$ 192,940	\$ 257,520
Committed	2,530,837									
Assigned									600,000	100,000
Unassigned	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	8,220,622
Total General Fund	5,570,966	3,059,564	2,142,930	2,684,264	3,110,988	3,738,944	4,926,731	6,122,253	7,332,915	8,578,142
All Other Governmental Funds										
Non-Spendable	-	-	-	-	-	-	-	-	-	3,000
Restricted	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	1,238,709
Committed	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	5,147,533
Assigned	2,734	(1,154)	92,630	84,962	83,595	93,166	614,898	607,011	611,952	455,606
Unassigned	-	-	-	-	-	(5,433)	(1,130)	(15,953)	(11,445)	(14,563)
Total other governmental funds	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	6,830,285
Total	\$ 17,042,194	\$ 15,080,408	\$ 7,688,034	\$ 10,035,408	\$ 9,070,047	\$ 7,450,291	\$ 8,685,979	\$ 9,615,282	\$ 15,680,807	\$ 15,408,427



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

Years ended June 30,	<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>	<u>2016</u>
Revenues										
Property and Other Taxes	\$ 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	\$ 41,275,355
License and Permits	320,565	249,699	221,860	210,479	184,961	166,588	154,031	156,690	186,241	212,388
Intergovernmental Revenues	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	7,437,257
Charges for Services	1,314,655	1,191,743	885,550	768,966	722,778	793,343	862,590	798,694	841,228	818,361
Miscellaneous Revenues	1,626,755	1,189,469	888,268	855,322	738,248	663,647	1,357,301	754,707	757,262	2,280,951
Total Revenues	47,167,019	47,913,698	47,016,994	43,084,044	44,673,322	44,099,233	45,772,494	45,932,850	47,026,416	52,024,312
Expenditures										
General Government	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	6,814,854
Public Safety	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	17,961,033
Public Works	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	6,064,866
Health	818,872	907,222	902,434	840,934	540,151	452,838	452,838	452,838	452,838	612,838
Social Services	266,635	297,356	305,414	212,422	138,028	133,412	131,212	135,638	138,128	146,828
Primary Education	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	15,532,393
Secondary Education	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	1,582,243
Public Library	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	1,176,435
Recreation and Parks	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	2,917,903
Arts	9,000	12,500	12,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Conservation of Natural Resources	607,013	457,349	477,058	334,911	313,533	290,726	291,248	129,571	134,413	135,413
Housing Rehabilitation	106,465	100,751	105,283	33,457	11,725	-	6,000	6,000	6,000	6,000
Economic Development	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	406,027
Intergovernmental-Local	3,090	3,090	3,090	3,090	3,090	-	-	-	-	-
Historical	5,500	6,000	5,000	4,000	-	-	-	-	-	-
Contingency	60,942	28,074	27,837	46,407	52,253	40,863	193,950	26,837	79,000	406,760
Town Planning Grants	8,500	8,500	8,500	8,500	8,500	-	-	-	-	-
Capital Outlay	168,730	69,743	12,435	61,946	9,588	-	-	-	-	-
Miscellaneous	1,532,882	1,167,281	1,573,899	494,416	507,485	-	-	-	-	-
Debt Service										
Principal	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	2,676,471
Interest and Fiscal Charges	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	950,304
Total Expenditures	59,491,368	56,544,020	51,078,626	54,858,202	50,098,241	46,496,416	45,363,181	47,235,029	49,092,709	57,395,368
Excess of Revenues Over (Under) Expenditures	(12,324,349)	(8,630,322)	(4,061,632)	(11,774,158)	(5,424,919)	(2,397,183)	409,313	(1,302,179)	(2,066,293)	(5,371,056)

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

Years ended June 30,	<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>	<u>2016</u>
Other Financing Sources (Uses)										
Note Issued Chesapeake College	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520,000	\$ -	\$ -
Sale of Capital Assets	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	3,799,156
Transfers In	7,251,218	3,522,357	801,776	7,435,261	935,463	-	-	-	778,944	1,214,467
Transfers Out	(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>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>	<u>5,013,623</u>
Net Change in Fund Balance	<u>\$ 1,501,282</u>	<u>\$ (1,958,418)</u>	<u>\$ (7,313,196)</u>	<u>\$ 2,357,524</u>	<u>\$ (999,039)</u>	<u>\$ (1,571,573)</u>	<u>\$ 1,178,513</u>	<u>\$ 913,889</u>	<u>\$ 6,148,097</u>	<u>\$ (357,433)</u>
Debt Service as a Percentage of Non Capital Expenditures (1)	6.9%	7.1%	7.8%	16.3%	15.8%	9.4%	8.2%	7.9%	7.7%	7.6%

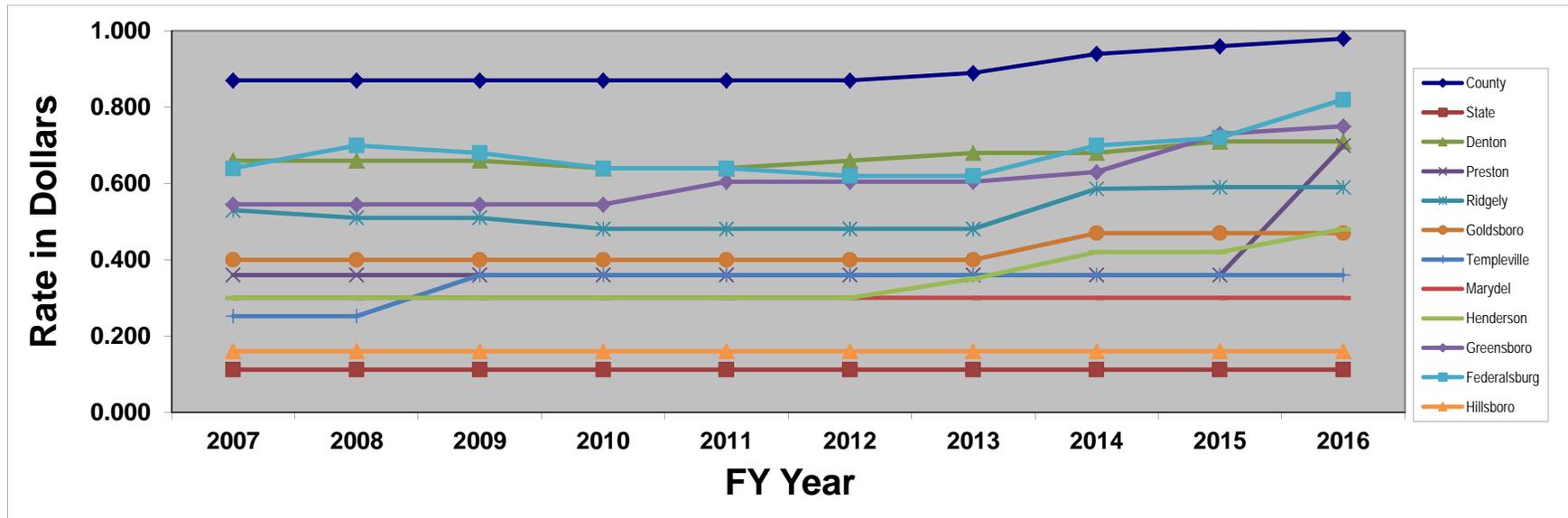
Notes
 (1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

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
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
2016	0.980	0.112	0.710	0.700	0.590	0.470	0.360	0.300	0.480	0.750	0.820	0.160

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



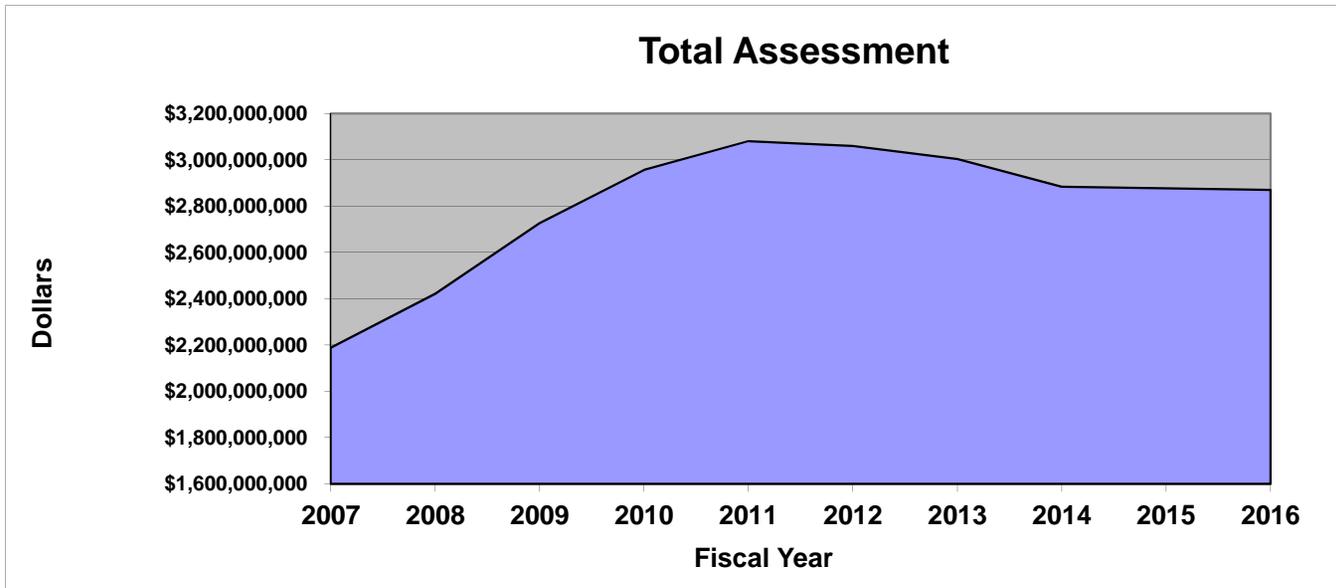
Caroline County, Maryland
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
Schedule 6

Fiscal Year Ending June 30	Real Property			Total Direct Tax Rate(1)	Personal Prop Assessed Value(2)	Corp & Utility Assessed Value	Total Assessed Value
	Real Property Assessed Value	Exempt Property	Total Assessed Value				
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
2016	\$ 2,479,932,938	\$ 328,909,015	\$ 2,808,841,953	0.980	-	\$ 60,524,420	\$ 2,869,366,373

Source: Maryland State Department of Assessments and Taxation.

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

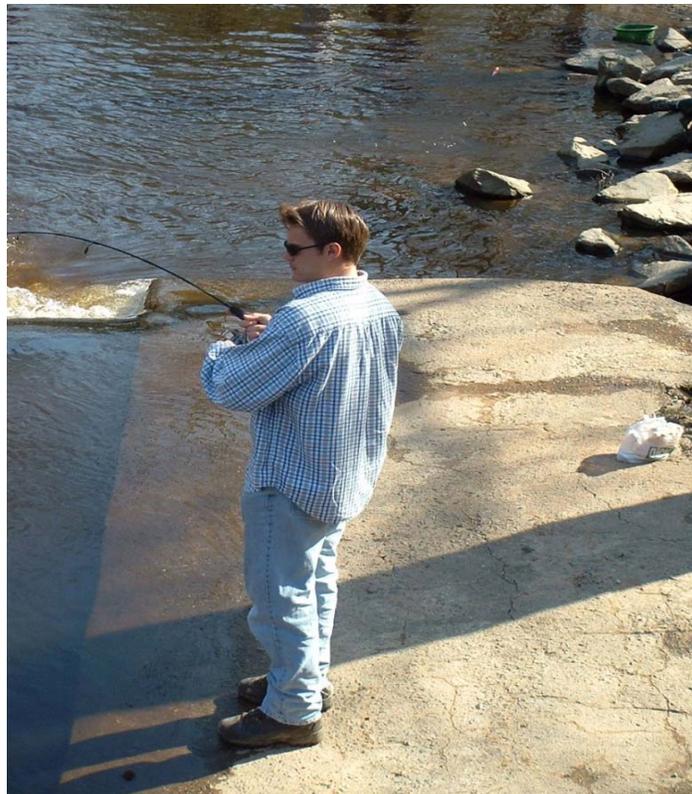
(2) Personal Property was phased out over a three year period ending in FYE June 2007



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

Fiscal Year Ending June 30	Total Tax Levy	Current Year Taxes Collected in Year of Levy	% of Levy Collected During Year	Collected in Subsequent Years	Total Collections	% of Current Year Taxes Collected Current & Prior
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%	\$ 48,359	\$ 23,636,361	99.9%
2012	\$ 23,790,344	\$ 23,729,788	99.75%	\$ 43,482	\$ 23,773,270	99.9%
2013	\$ 23,977,024	\$ 23,921,365	99.77%	\$ 34,447	\$ 23,955,812	99.9%
2014	\$ 24,557,950	\$ 24,469,016	99.64%	\$ 71,968	\$ 24,540,984	99.9%
2015	\$ 24,806,792	\$ 24,704,319	99.59%	\$ 43,855	\$ 24,748,174	99.8%
2016	\$ 25,235,902	\$ 25,152,021	99.67%	\$ -	\$ 25,152,021	99.7%

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



Fishing at Martinak State Park

Caroline County, Maryland
Ten Largest Principal Taxpayers
 June 30, 2016
Schedule 8

Tax Year		2005	2015	2005	2015	% of Total
Taxpayer	Type of Business	Assessed Valuation	Assessed Valuation	Tax	Tax	Tax Levy
Choptank Electric	Electric Power	\$ 15,042,480	\$ 28,799,757	\$ 342,969	\$ 673,252	2.67%
Delmarva Power and Light	Electric Power	\$ 15,341,400	\$ 24,378,040	\$ 349,784	\$ 642,052	2.54%
Istar SCC Distribution	Cups and containers	\$ 6,481,108	\$ 17,198,033	\$ 58,138	\$ 154,782	0.61%
Verizon Maryland	Telephone utility	\$ 15,504,910	\$ 67,415,940	\$ 353,512	\$ 153,379	0.61%
Walmart	Retail Store	\$ -	\$ 15,412,400	\$ -	\$ 141,794	0.56%
BOP Denton Plaza LLC	Developer/Management Company	\$ 2,619,766	\$ 9,785,700	\$ 20,696	\$ 90,028	0.36%
East Star, LLC	Excavating	\$ 6,785,433	\$ 8,164,200	\$ 56,034	\$ 79,902	0.32%
Burriss Foods, Inc.	Transport of refrigerated food products	\$ 8,839,925	\$ 6,999,700	\$ 88,356	\$ 68,597	0.27%
Provident State Bank	Banking Industry	\$ 3,626,800	\$ 6,332,600	\$ 31,082	\$ 60,313	0.24%
H&M Bay, Inc.	Refrigerated trucking	\$ 5,575,748	\$ 6,420,200	\$ 53,903	\$ 57,781	0.23%

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

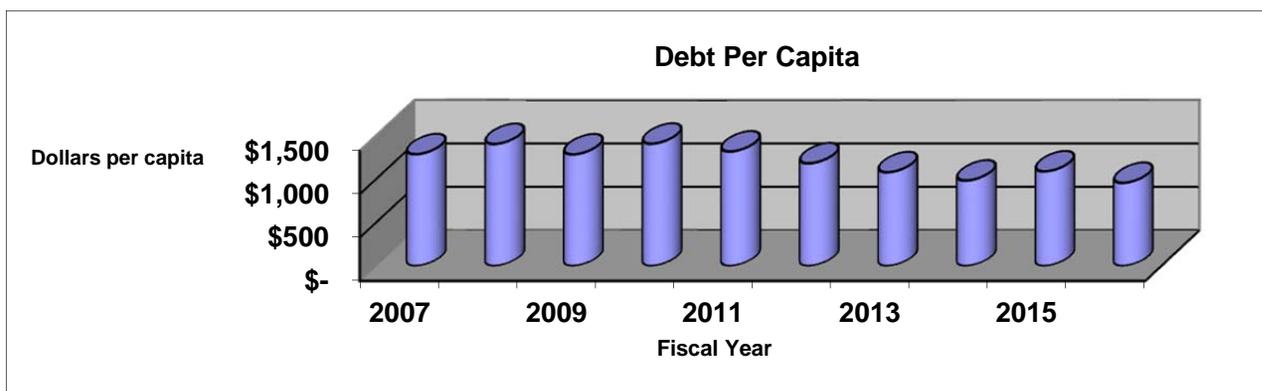


Caroline County, Maryland
Ratio of Outstanding Debt by Type
Last Ten Years
Schedule 9

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)	State Loans	Capital Loans	DHCD Loans	Capital Leases	Total	MEDCO Loan (2)			
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
2016	\$ 28,157,167	\$ -	\$ 3,057,529	\$ 1,626,796	\$ 2,530,583	\$ 3,799,156	\$ 39,171,231	\$ -	\$ 39,171,231	3.20%	\$ 954

(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.



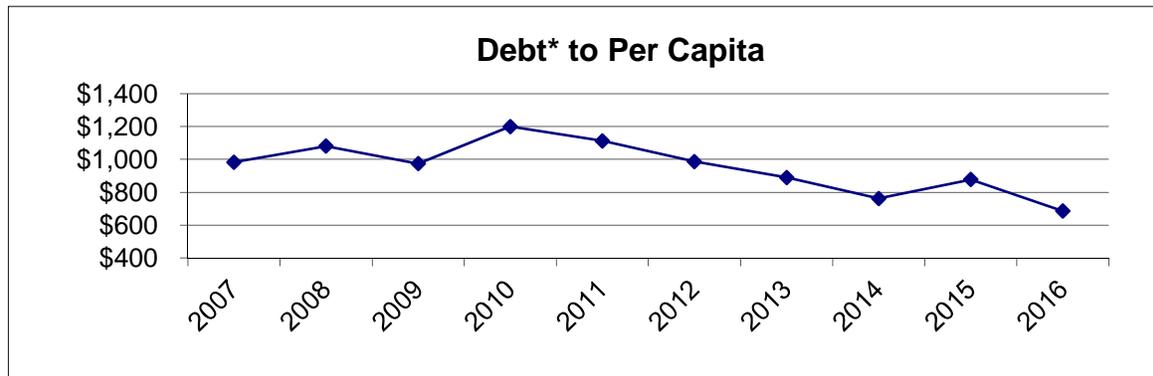
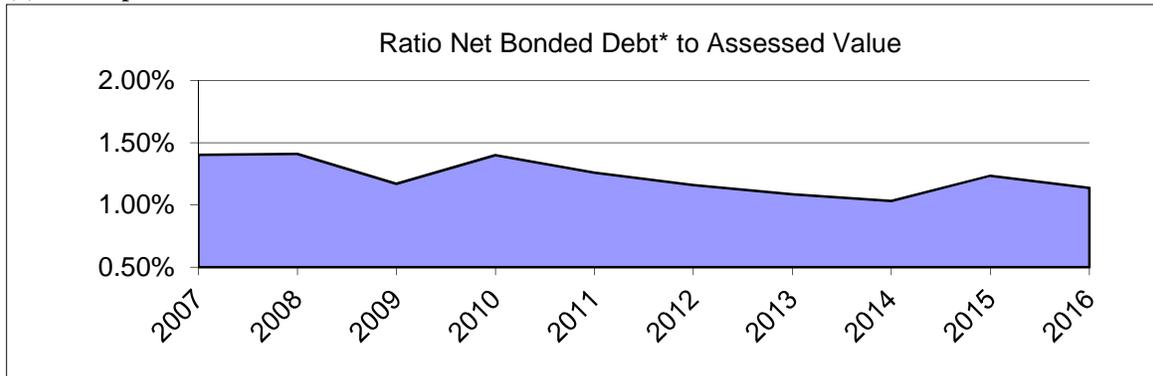
Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

Year June 30,	General Bonded Debt	(1) Assessed Value	(2) Per Capita	Ratio Net Bonded Debt* to Assessed Value	Debt* to Per Capita
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
2016	\$ 28,157,167	\$ 2,479,932,938	\$ 41,065	1.14%	\$ 686

* 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

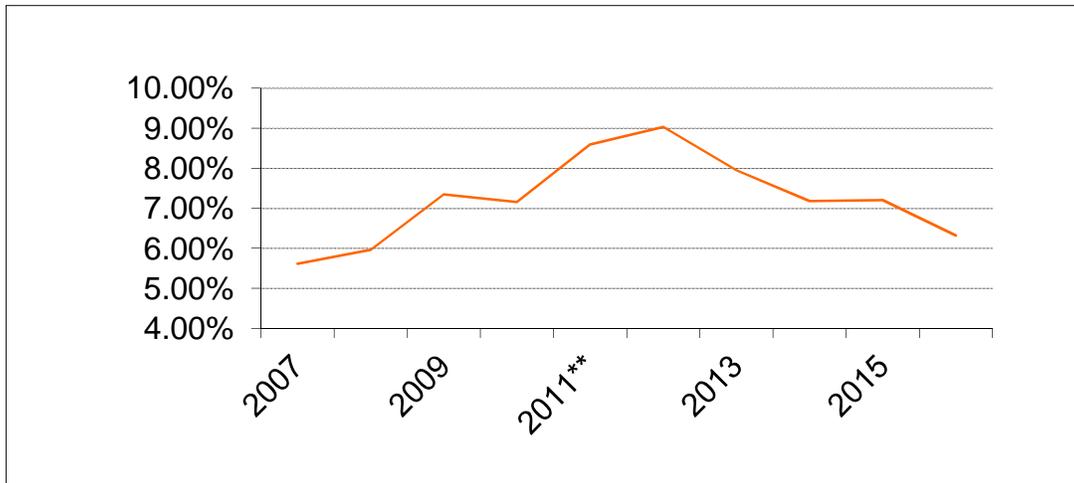


Caroline County, Maryland
Ratio of Annual Debt Service to Total Government Expenditures
Last Ten Years
Schedule 11

Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
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%
2016	\$ 2,676,471	\$ 950,304	\$ 3,626,775	\$ 57,395,368	6.32%

*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, 2016
Schedule 12

Political Subdivision	Debt Outstanding	Percentage Applicable To County*	Amount Applicable To County
Caroline County Direct Debt	\$ 39,171,231	100.00%	\$ 39,171,231
Caroline County Library	-	100.00%	-
Caroline County Board of Education	4,041,924	100.00%	4,041,924
Town of Denton	1,917,616	100.00%	1,917,616
Town of Federalsburg	2,488,351	100.00%	2,488,351
Town of Greensboro	693,740	100.00%	693,740
Town of Preston	171,106	100.00%	171,106
Town of Ridgely Indirect Debt	491,777	100.00%	491,777
	<u>9,804,514</u>		<u>9,804,514</u>
TOTAL	<u>\$ 48,975,745</u>		<u>\$ 48,975,745</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 2016

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	Personal									
	Population (1)	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)
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
2016	34,330	1,224,667	41,065	370	5,550	17,335	16,489	846	4.8%	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.dllr.state.md.us/lmi/>
- (5) Caroline County Bearfacts 2011 &
<http://www.bea.gov/regional/downloadzip.cfm>
- (6) http://planning.maryland.gov/msdc/schenroll/k-12_total.pdf
- (6) http://www.mdp.state.md.us/msdc/School_Enrollment/Table2.pdf
- (7) source: <http://www.dllr.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



Caroline County, Maryland
Major Employers FYE 6/30/2016
Schedule 14

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	877	5.32%
Solo Cup	Cups and containers	590	3.58%
Benedictine School	Private School for exceptional children	425	2.58%
WalMart	Department Store/Groceries	280	1.70%
H&M Bay	Refrigerated trucking	263	1.60%
Caroline County	Government	236	1.43%
Choptank Transport	Refrigerated trucking	195	1.18%
Choptank Electric Cooperative	Electric Utility Coop	161	0.98%
Choptank Community Health Systems	Medical Service	140	0.85%
Tri Gas & Oil	Appliances, metered gas, fuel oil	130	0.79%

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 6/2006

Firm	Product/Service	Employment	Percent of Caroline County Employment
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</u> <u>Family Home</u>	(3) <u>Total Assessed</u> <u>Property Value</u>
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
2015	369	157,794	2,808,841,953

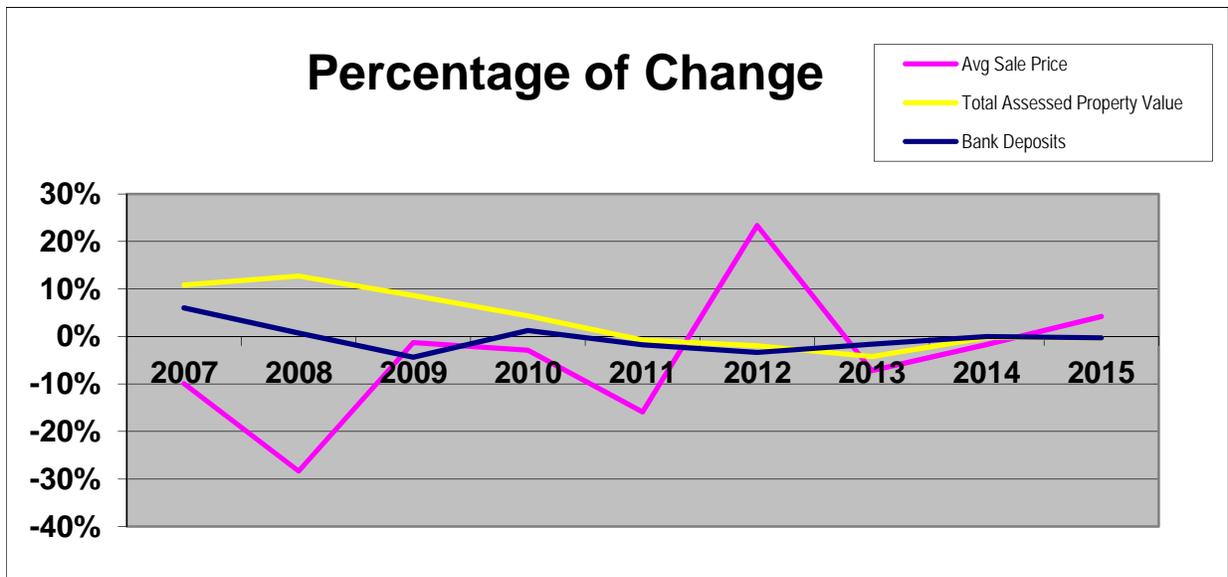
Source:

(1) Federal Deposit Insurance Corporation Web Site

<https://www5.fdic.gov/sod/sodInstBranchRpt.asp?sCounty=Caroline&sCityType=USPS&submit1=Continue&barlter>

(2) 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 2006 - 2015 (Unaudited)
 Schedule 16

Types	2006		2007		2008		2009		2010		2011		2012	
	Number Permits	Value	Number Permits	Value	Number Permits	Value								
Homes	105	\$ 18,033,968	75	\$ 15,652,684	60	\$ 10,198,667	27	\$ 4,205,153	45	\$ 5,716,254	22	\$ 3,237,000	24	\$ 3,924,530
Accessory Dwellings	4	155,870	4	145,000	0	-	0	-	2	200,000	1	55,000	3	140,000
Accessory Structures	221	3,441,297	217	4,046,437	161	3,047,108	79	1,162,733	81	1,465,340	40	537,030	37	730,355
Additions	127	4,012,604	115	2,685,481	79	2,333,022	54	1,305,053	43	637,636	32	1,190,508	29	788,200
Comm/Industrial & Institutional	10	5,509,050	7	426,100	8	21,775,000	9	1,680,490	10	4,767,189	8	1,484,400	10	338,100
Mobile Homes	6	61,300	27	1,726,441	18	1,034,050	16	440,105	10	415,298	6	134,500	7	404,316
Poultry Structures/Ag	14	3,506,000	7	1,708,000	9	1,835,684	39	2,539,620	37	1,176,068	26	783,039	27	730,057
Change of Use/Home Occupation	12	119,750	4	2,150	3	62,000	3	2,750	0	-	6	300	0	-
Shoreline Projects	10	224,725	9	266,600	11	127,900	5	136,000	6	103,500	5	131,350	5	88,400
Decks Pools Signs	0	-	0	-	1	3,000	5	67,000	0	-	0	-	0	-
Foundation	0	-	0	-	0	-	0	-	0	-	36	336,002	30	314,924
Renovations	13	1,167,300	9	779,960	12	309,900	13	529,289	14	243,238	14	264,048	9	91,920
Misc	0	-	0	-	0	-	0	-	0	-	0	-	0	-
Totals	522	\$ 36,231,864	474	\$ 27,438,853	362	\$ 40,726,331	250	\$ 12,068,193	248	\$ 14,724,523	196	\$ 8,153,177	181	\$ 7,550,802

Source: Caroline County Dept of Planning

Types	2013		2014		2015	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	22	\$ 4,105,200	32	\$ 6,207,520	38	\$ 6,491,540
Accessory Dwellings	1	30,000	0	-	0	-
Accessory Structures	55	976,426	44	968,104	86	2,085,813
Additions	17	337,200	34	1,411,950	27	1,104,500
Comm/Industrial & Institutional	9	293,500	12	1,330,088	10	1,900,250
Mobile Homes	12	400,900	8	410,039	15	809,329
Poultry Structures/Ag	27	2,262,655	37	3,636,933	28	8,070,239
Change of Use/Home Occupation	2	27,000	6	1,000	1	3,000
Shoreline Projects	2	29,700	3	36,000	5	95,000
Decks Pools Signs	0	-	0	-	0	-
Foundation	31	456,929	29	259,851	36	378,121
Renovations	8	148,300	4	14,200	6	15,666
Misc	2	7,743	11	314,400	13	652,137
Totals	188	\$ 9,075,553	220	\$ 14,590,085	265	\$ 21,605,595



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

<u>Function/Program</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>	<u>2016</u>
General Government	131	131	129	130	122	131	130	126	126	130
Public Safety	30	33	33	33	31	31	31	31	32	31
Public Works	55	55	55	37	45	40	40	38	38	38
Leisure Services	9	9	11	10	10	9	9	9	9	9
Total	225	228	228	210	208	211	210	204	205	208

Source: Caroline County Human Resources

Operating Indicators by Function/Program
Last Ten Years

<u>Function/Program</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>	<u>2016</u>
General Government*										
Payroll Checks Processed	8,198	8,113	8,216	8,190	8,092	7,855	7,964	7,654	8,000	9,241
Number of Checks Written	7,106	7,200	6,304	5,664	5,007	4,351	4,359	4,320	4,217	4,185
Purchase orders Issued	5,169	5,200	2,472	1,869	1,964	1,779	1,584	1,820	1,649	1,699
Public Safety (calendar year)										
Sheriff Calls for Service(1)	12,897	13,200	12,199	12,199	10,446	12,692	12,011	NA	NA	NA
911 Calls(1)	15,882	16,000	17,008	16,488	16,314	18,288	18,911	19,185	NA	NA
Calls for Fire & EMS Dispatches(1)	8,752	9,000	8,793	8,459	5,457	5,548	5,306	5,623	NA	NA
Avg Detention Ctr Daily Population(2)	96	83	98	92	111	98	102	111	98	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	7
Uniform Police Officers(3)	NA	78	77	62	63	63	62	58	59	59
Number of Vehicles	NA	79	76	68	68	68	71	67	70	70
Number of Type 1 law violations (3)	NA	985	1,211	1,146	1,221	1,070	1,013	888	NA	NA
Physical arrests (3)	NA	1,753	2,087	2,170	2,137	1,957	1,992	1,860	NA	NA
Traffic violations (3)	NA	4,636	5,935	7,830	NA	5,900	7,721	7,929	NA	NA
Public Works**										
Miles of Roads Serviced	62	34	-	-	-	38	38	38	43	40
Annualized Tonnage for Collection Sites	6,299	6,400	5,493	5,091	3,199	1,401	1,401	1,401	1,019	1,015
Parks and Rec***										
Number of Programs	300	310	312	313	313	313	313	313	307	234
* Finance Office Records	64,768	73,078	70,288	69,648	54,399	61,428	62,855	51,274	15,469	16,550

** 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,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Facilities											
Police Stations in County(1)		7	7	7	7	7	7	7	7	7	7
Fire & Rescue Stations(1)		8	8	8	8	8	8	8	8	8	8
Parks/Recreation Facilities(2)		5	5	5	5	5	5	5	5	5	6
Senior Centers(3)		2	2	2	2	2	2	2	2	2	2
Libraries(4)		3	3	3	3	3	3	3	3	3	3
Public Schools(5)											
Elementary		5	5	5	5	5	5	5	5	5	5
Middle Schools		2	2	2	2	2	2	2	2	2	2
High Schools		3	3	3	3	3	3	3	3	3	3
Department of Public Works(6)											
Miles of County Maintained Paved Rds		400.19	400.91	399.00	399.00	399.00	399.00	399.00	399.00	399.00	399.00
Vehicles in Roads Department		25	27	27	27	26	26	26	24	25	26
Caroline County Sheriff Department(7)											
Vehicles in Service		32	32	31	31	32	32	35	32	34	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, 2016 (Unaudited)
Schedule 19

Date of Incorporation	1774	<u>Board of Elections</u> -Source Local Election Staff	
Form of Government	Home Rule	Registered voters at last general election	17,596
Area in Square Miles	321	Number of votes cast last general election	13,286
		Percentage of registered voters voting	75.50%
<u>Population(1)</u>			
1970	19,781	<u>Police Protection-</u> Source Sheriff Budget Document	
1980	23,143	Uniform Police Officers	29
1990	27,035	Number of Vehicles	34
2000	29,772	Number of Offenses-Sheriff Dept (2)	1,013
2010	33,066	Traffic violations (2)	7,721
<u>Employees</u> -Source Human Resources Records			
Exempt	40		
Full time	182		
Part time (FTE)	14	<u>Detention Center</u> -Source Annual Correction Report	
Total	<u>236</u>	Detention Center Officers	30
		Average Daily Population (2)	99
<u>County Maintained Roads</u> -Source Public Works Records			
Paved	399	Average Daily Work Release (2)	2
Unpaved	76		
Total	<u>475</u>	<u>Fire Protection</u> -Source Emergency Management	
<u>Libraries</u> -Source Library Staff			
Number of Libraries	3	Number of Volunteer Stations	8
		Number of Volunteer Members	457
<u>Education (Public)</u> -Source BOE Admin Staff			
Number of Schools		Equipment	
High Schools	3	Engines	18
Middle Schools	2	Tankers	8
Elementary Schools	5	Aerial Units	2
Number of Personnel		Rescue Units	6
Teachers	472	Brush Units	10
Administrators	46	Air Units (MD State Police)	8
Support	359	Miscellaneous Utility Units	7
Other	0	Ambulance/Medic Units	20
Number of students	5,602	Boat dive units	3
		Command Vehicles	8
		Canteen	1
		Calls for Service- Fire/Rescue	1,922
		Calls for Emergency Medical	5,045
(1) 2010 Census		<u>County Owned Recreation Facilities</u> -Source Pks & Rec	
(2) Caroline County Budget Document		Parks	10
		Parks Acreage	484.72
		Public Landings	4
		Open Space Acreage Actively Maintained	115.18
		Quantity of Public Boat Ramps	3
		Special Use Areas and Facilities	5
		School/Recreation Park Facilities	4
		Acreage under Development for Public Use	9
		Protected Park land for Future Development	350.54