

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



CAROLINE COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

**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

November 9, 2018

***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, 2018***, 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 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, 2018, 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.

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 and to set the rate for the local share of income tax.

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 working 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. The County has worked to diversify its economic base, notably through industrial parks located in incorporated municipalities.

The 2010 Census estimated the population of Caroline County as 33,128. As of July 1, 2017, the population was holding steady at 33,193. The lack of population growth is likely due to an aging population and a decrease in the average number of persons per household.

Caroline County government provides a full range of 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 comments from the public and other stakeholders. After considering 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 context of the state, regional, and national economies. During the audit period, the national economy continued to improve, with GDP growth of 2.85%. However, the growth that has occurred during the recovery period has largely been unevenly distributed, with nearly half of GDP growth concentrated in the top 1% of households.

Like many areas throughout America, Maryland's rural Eastern Shore has lagged the overall recovery. On the positive side, the nation and region have reached "full employment." As of August 2018, the unemployment rate in Caroline County was 3.9 percent, slightly better than Maryland's 4.2 percent mark. Over half of working residents commute to work locations outside the County, primarily to Talbot County, the Annapolis/Baltimore/Washington area, and Delaware. Local employers have reported a shortage of qualified applicants to fill positions. The robust labor market is also creating challenges for the County government in certain positions, typically those at the lower end of the wage scale where neighboring local governments or the private sector offer higher starting salaries.

A largely rural, agricultural, and residential county, home values and median sales prices are a reasonably accurate economic barometer. While home values and purchase prices have not reached the highs seen at the peak of housing market in 2006, home values have stabilized and begun to increase. By July 2018, average home value had improved to \$179,000 (Zillow) and the median sales price reached \$195,000 (Long & Foster Market Minute). While these numbers do not reflect large percentages of growth, they do reflect that this important economic indicator is showing solid improvement after a long period of decline and stagnation.

A continuing issue for Caroline and the larger regional economy is the jobs-skills mismatch. The Jobs Report from the National Federation of Independent Business continues to show that 38% of small business owners reported they had job openings they could not fill – another record high. Anecdotal reports from small local businesses indicate a chronic unmet need for employees with specific skills.

To address this challenge, Caroline County is working aggressively on workforce development initiatives like the Advanced Manufacturing Professionals (AMP) program. Workforce development continues to be a high priority of all five Midshore counties. It is hoped that the new President of Chesapeake College, the regional community college, will bring a renewed focus to workforce and skilled trade programs. The five counties are also exploring the possibility of a regional career and technology education (CTE) high school in order to provide more in-depth and robust workforce education at the K-12 level.

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. As noted, Caroline County remains committed to developing a broader base of commercial and light industrial uses, particularly uses that complement the County's farming base.

State policies favoring renewable energy have increased demand for agricultural land for solar energy production. The first major project proposed for Caroline County is under consideration by the Public Service Commission. While the Commissioners enacted legislation to limit the total amount of productive farmland that could be lost to solar development in order to preserve the goals outlined in the Comprehensive Plan, further changes to State policies regarding the renewable portfolio standard could present a challenge to those limits. While solar produces more direct income for the County government, the loss of economic activity associated with the ancillary businesses that serve agriculture must also be taken into account.

Economic growth between 2010 and 2015 was an anemic 2.1 percent, well below the level of the previous recovery (2.7%). According to projections by the Congressional Budget Office, real gross domestic product is expected to grow by 3.1% in 2018, but slow to 2.4% in 2019. The CBO predicts that growth will slow further in the years beyond 2019. Economic concerns remain about an overvalued U.S. equities market and the increase in the federal deficit from recent federal tax law changes, which the CBO projections indicate will not be offset by significant economic growth.

As the audit period ended, the ratio of national debt to gross domestic product (GDP) was about 105.4%, up about 2.4% over the previous year. Put simply, the U.S. government owes over \$21.5 trillion, an amount greater than the entire annual economic output of the country. As noted in a 2017 essay by Romina Boccia, “Academic research shows that advanced economies like the United States are at risk of significant and prolonged reductions in economic growth when public debt reaches levels of 90 percent of GDP.”

Given the length of the current economic expansion, the increasing level of public debate, and the Federal Reserve ending quantitative easing, a downturn in the local economy seems likely in the coming 24 months.

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 improvement plan (CIP) to the County Commission. The County Commissioners hold public hearings regarding the capital program and adopt the first year of the CIP 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 approved budgets. The County Commissioners recognize the significant issue of deferred maintenance, particularly regarding roads, bridges, vehicles and equipment. The Commissioners further recognize the need to address the condition of aging public buildings, including local schools. As the County’s financial position continues to improve, the management team recommends expanding capital investment to address the accumulation of deferred maintenance.

The Commissioners voted to increase income taxes to the maximum allowable rate of 3.2% during the audit period in order to fund two large capital projects – the construction of a new Sheriff’s Office and a new Greensboro Elementary School. Greensboro Elementary School will be the most expensive capital project in the County’s history. The increase of revenue for these projects was necessary to enable the County to continue to make progress on the accumulation of deferred maintenance and to be able to maintain the County’s debt ratio target.

A positive for long-term financial planning includes a policy change made by the County Commissioners to adopt a new fund balance policy. The policy increases the amount of general (unassigned) fund balance the County is required to maintain from five percent of total budget expenditures to ten percent. The policy also lays out more stringent conditions for use of the fund balance, a requirement for repayment, and a goal of moving toward having a fund balance equal to two months of operating revenue.

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.

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. By the end of FY 18, the pension fund improved to 83 percent funded using a 7.15 percent estimated investment rate of return. In 2005, the plan was 58.58 percent funded using a higher 7.5 percent estimated rate of return. Caroline County may be the only jurisdiction in the state to have its plan for Other Post-Employment Benefits (OPEB) at over 100 percent.

Local Fiscal Philosophy

The past two Boards of the Caroline County Commissioners have maintained a philosophy of fiscal conservatism. In FY 18, the Commissioners left the property tax rate unchanged. The County also approved another working capital budget, rather than spending down excess reserves on capital.

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. The Commissioners have fully implemented the Living Wage initiative. Every full-time merit County employee earns over \$32,000/year. As the County continues to try to make up for lost wage growth during the recession, employees received a hybrid pay increase that included a 1.75% pay increase for all employees, as well as a seniority pay increase for all merit employees with more than five years of service.

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 fourteenth 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, especially Danny Fox. 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. In 2017, one of the County Commissioners was invited to the annual conference held by local Boards of Education to explain this success.

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 outstanding department heads—deserve credit for acting in the highest tradition of public service. The FY 18 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,



Sara B. Visintainer
Acting 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, 2017

Christopher P. Morill

Executive Director/CEO

**Caroline County, Maryland
Governmental Organization
Certain Elected and Appointed Officials
As of June 30, 2018**

Certain Elected Officials

County Commissioners

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

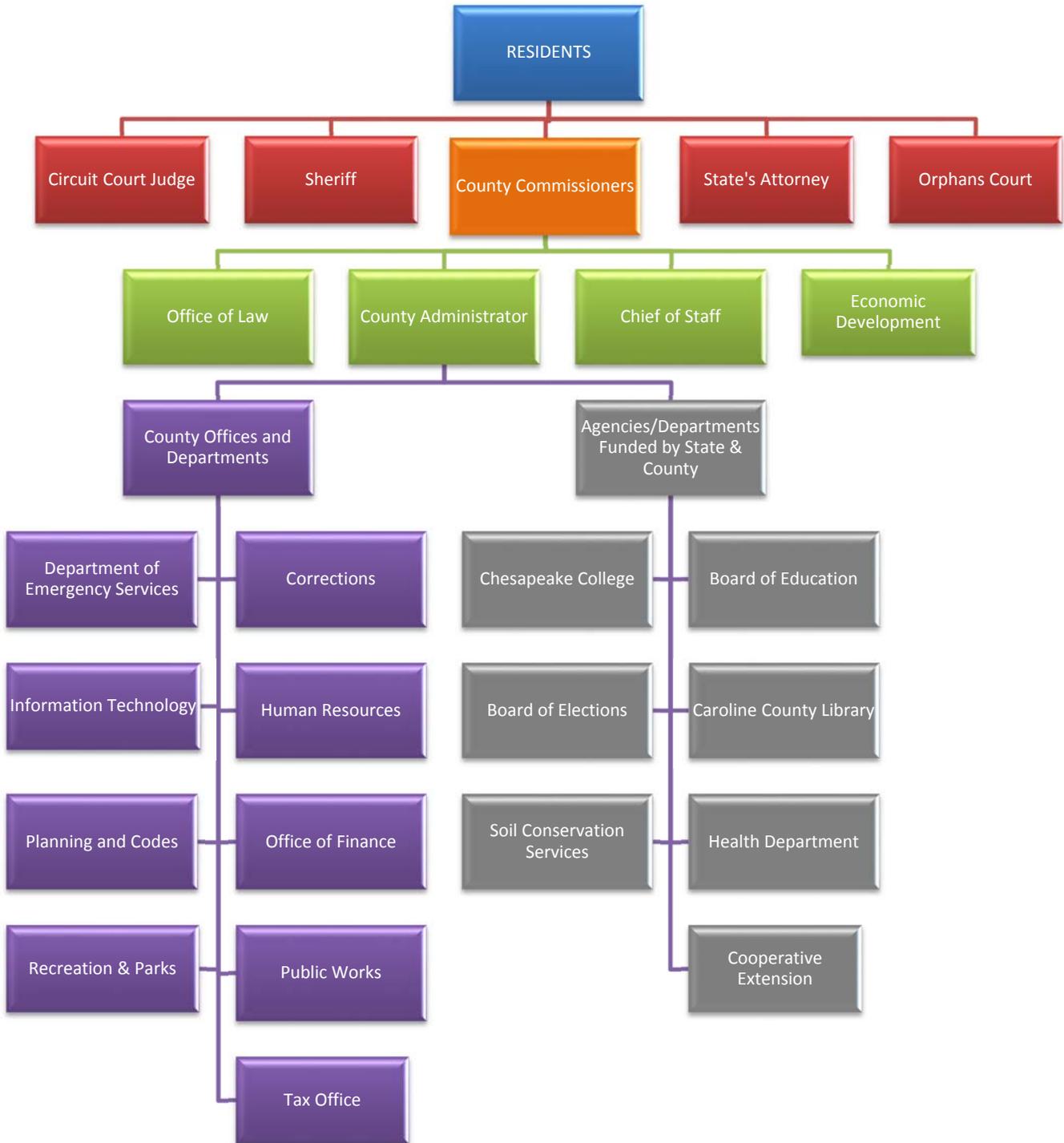
Bond Counsel

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
FY2018 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				

January

- 9 Operating & Capital Budget Submittal Requirements Received by Departments & Agencies
- 17 Dinner Meeting/Budget Workshop with Board of Education, 6:00 PM, 204 Franklin St., Denton

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				

February

- 13 All Department & Agency Budget Requests Due to Budget Director (9AM)
- 21 Budget Workshop (During County Commissioners Meeting—daytime): Budget Requests Presented to Commissioners by Budget Director; Capital Budget Workshop

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	

March

- 7 Public Meetings: Preston Fire Hall, 3680 Choptank Road, Preston, MD
 - 6:00 PM: Regular County Commissioners Meeting
 - 7:00 PM: Public Hearing to Receive Testimony on Budget Requests; followed by Annual Municipal Property Tax Differential Meeting
- 10 Budget Roundtable Discussions: (HAPS Building, Room 110, 403 S. 7th Street, Denton)
 - 9:00 AM: Internal County Government Departments
 - 10:30 AM: External Agencies Requesting More than \$25,000
- 21 Budget Workshop (During County Commissioners Meeting—daytime)
- 28 Budget Workshop (During Commissioners Work Session)

APRIL						
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						

April

- 7 Budget Workshop (During Commissioners Work Session)
Commissioners Approve Proposed Budget & Tax Rates

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	31			

May

- 2 Public Meetings: Greensboro VFC Community Hall, 13781 Greensboro Rd, Greensboro, MD
 - 6:00 PM: Regular County Commissioners Meeting
 - 7:00 PM: Public Hearings — To Receive Testimony On: 1) Proposed Operating & Capital Budgets; 2) Constant Yield Tax Rate; 3) Municipal Property Tax Differential Rates
- 11 Budget Finalization Workshop (During Commissioners Work Session)
- 16 Adoption of FY2018 Property Tax Rates
Budget Finalization Workshop (During County Commissioners Meeting—daytime)
- 23 Budget Finalization Workshop (During Commissioners Work Session)
- 30 Adoption of FY2018 Operating & Capital Budgets (During County Commissioners meeting— evening)

JUNE						
SUN	MON	TUES	WED	THUR	FRI	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17

Other information:

- Budget Workshops listed on the schedule may be cancelled if they are not necessary. Please verify workshops by checking the County Commissioners meeting agenda at www.carolinemd.org/AgendaCenter.
- Please note that while budget adoption is scheduled for May 30, the date may change if additional budget finalization workshops are necessary. The statutory deadline for budget adoption is June 13.
- 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

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended June 30, 2018, the County adopted new guidance from Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 November 9, 2018, 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 "YSM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
November 9, 2018

Executive Summary
Management Discussion and Analysis
Caroline County Government, FY 18 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, June 1999

Very few Caroline County residents will ever read a County financial audit. This is understandable. Audits have a well-deserved reputation for being dry, boring, and full of numbers. The Government Accounting Standards Board (GASB)—a rather dry organization itself—recognized this problem and adopted a requirement for every local government audit to have an introduction written in an understandable and conversational style. This introduction—what you are reading now—is called the “Management Discussion and Analysis.”

The goal of the MD&A is to provide a plain language summary of the complex data in the audit. It also serves other important purposes: It is a chance for the senior management team to speak candidly about the financial strengths and weaknesses of the organization, to discuss future challenges and opportunities, and to create a fiscal “trail of breadcrumbs” for future managers to follow.

The basic question the audit seeks to answer is: Is the County doing OK financially? For fiscal year 18 (the period ending June 30, 2018), the answer is, “Yes.” And “mostly.”

The County ended the year “in the black,” accounting jargon for having higher operating revenues than operating expenses. As a general rule, this is better than ending the year “in the red.” The excess of revenues over expenses rolls into the County’s general unrestricted reserves. This is accounting jargon for the County’s available cash account.

For each of the past seven years, the County has ended in the black. During this time, the Commissioners occasionally have withdrawn money from reserves to fund capital expenses. (Capital expenses meaning investment in vehicles, heavy equipment, buildings, and infrastructure.) Despite these drawdowns, the unassigned general fund balance has grown to \$9,853,053. This is a positive trend.

To evaluate a local government’s financial health, one of the measures frequently used is unassigned general fund balance as a percentage of operating expenses. There are numerous “rules of thumb” ranging from one month’s expenses (8.3 percent), 10 percent, two month’s expenses (16.6) percent, 20 percent, or 25 percent.

The County adopted by Resolution 2018-030, effective September 28, 2018, a new fund balance policy. The new policy will not allow reserves to dip below 10 percent. Prior to the new policy our reserves could dip to 5 percent. To the extent possible, the County will seek to increase the

General Fund Unassigned Fund Balance over time to an amount equivalent to two months of General Fund budget expenditures.

Building reserves (and prudently managing the County's finances) relies on projecting revenues conservatively and estimating expenses aggressively. This is how the senior management team built the FY 18 budget. As evidenced by this audit that process was successful. At the close of the accounting period, the County's general fund had received \$ 953,507 more in revenues than expenses.

Before going further, it is important to note that the audit is primarily a one-year snapshot of the County's finances. In the MD&A, the senior management team will talk about the past and look into the future, but nearly all the numbers in the audit apply to fiscal year 2018. As with all audits, it is important not to read too much into any single year.

Revenues

To begin explaining the audit, it helps to understand the County's sources of revenues. The two major revenue streams are property taxes and income taxes. 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 the FY 18 budget, the Commissioners left the property tax rate unchanged at 98 cents per \$100 of assessed value. Caroline has the 13th highest property tax rate among Maryland's 23 counties and Baltimore City, essentially "middle of the pack." The total amount of property taxes collected in FY 18 was \$25,353,868.

Income taxes are different. While the State of Maryland collects income taxes, the process is a "black box" for local governments. The State refuses to give local governments raw income tax data so the revenue can be difficult to predict. During the budget process for FY 18, the County Commissioners left the income tax rate unchanged at 2.73%. During the year, however, the Commissioners voted to increase the rate to 3.2%, the maximum allowed by state law.

Driving the decision was recognizing the need to replace Greensboro Elementary School and to build a new building for the Caroline County Sheriff's Office. Absent the increase in income taxes, the County lacks the revenues to support the debt for the two major projects. In FY 18, the County received \$13,870,004 in income tax revenues. Overall, other revenues like user fees remained stable.

Expenditures

FY 18 was a relatively routine year for expenses. As noted in previous audits, a majority 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 legally mandated, but most residents would consider the service essential for public health and safety.

By category, Caroline County expenditures largely parallel 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. The County also provides payroll and human resources support for some "local" state agencies like the Circuit Court and State's Attorney's Office.

In the FY 18 budget, the Commissioners approved a 3 percent pay increase to employees and adopted a new grade/range pay scale. The Board added two new positions for road deputies in the Sheriff's Office, making another step towards the goal of adding five new officers before the end of the Board's term. The Board also converted four part-time EMS positions to full-time positions. This reduced the EMS system's reliance on part-time EMTs and Paramedics to fill shifts. In FY 18, the County completed its transition to a "living wage." Under this policy, the minimum annual wage for a full-time County employee is \$30,900.

The Commissioners also made some structural changes to local government services. The Board dissolved the longstanding Memorandum of Understanding (MOU) with the Caroline Economic Development Corporation (CEDC), choosing to bring economic development "in house." This move allowed the CEDC Board to focus on tourism and for the Commissioners to have more direct control over economic development activities.

The Commissioners made a similar decision regarding animal control. Traditionally, the Caroline County Humane Society has fielded the County's Animal Control Officers (ACOs). The Board believes that ACOs are public safety employees deserving of a pay structure and benefits on par with other similarly-situated County employees. The three ACOs hired by the Humane Society were transitioned to County employment in FY 18. The economic development decision was budget neutral. The change to animal control represented an increase in costs.

The only budget reduction in FY 18 was a decrease to Delmarva Community Transit. In FY 17, the Commissioners approved an increase of \$15,000 to provide additional services. Since these services never materialized, the Board returned the funding to the FY 17 level.

Debt

In FY 18, the County's bond rating remained AA-. This is essentially the County's credit rating. This is a lower rating than more affluent Maryland counties, but the bond rating agencies have 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 limited by our modest tax base.

The County did not issue any new debt in FY 18.

Capital

In government accounting, capital expenses are commonly defined as purchase of an asset greater than \$5,000 in value and with an expected useful life of five years or longer. 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, 76 miles of dirt roads, 39 bridges and structures, over 250,000 square feet of buildings, and over \$10 million in vehicles and heavy equipment.

FY 18 marked the second consecutive year the County funded a normal capital budget. The FY 18 capital improvement plan (CIP) totaled \$6.58 million but that number may be misleading. About \$594,000 represented unspent capital projects rolled over from the prior fiscal year. Some of the CIP reallocated \$562,000 of unspent bond funds recovered from the Preston Elementary Renovations. About \$1.8 million are expenditures related to sources like grant funds or dedicated revenues.

What is important to note is that FY 18 capital investment was funded by a \$2 million drawdown of the County's unassigned general reserves. The Commissioners made a similar decision to fund capital in the FY 19 budget. These were necessary measures to continue capital investment and address the "deferred maintenance" challenge, however, it is not sustainable in the longer term. Given the County's total infrastructure—vehicles, equipment, buildings, roads, and bridges—the capital budget should be between \$3 million and \$4 million per year, and that money should come largely from operating revenues.

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.

Unfunded liabilities are a big deal, particularly for local governments—so much so that the Government Accounting Standards Board (GASB) adopted Statements 67 and 68. These statements updated the standards for local governments reporting pension liabilities. This occurred because some local governments were not reporting liabilities accurately.

Caroline County has its own pension plan and retiree health care benefit plan. This is somewhat unusual in Maryland where many 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 noted in previous audits, the County has made steady progress improving the pension fund by: 1) reforming the pension system; 2) phasing in employee contributions; 3) paying more into the pension fund than the required annual contribution.

As you may read later in the audit, the County's total pension liability was \$27,303,691 at the end of the fiscal year. The pension fund had \$22,579,013 in assets. This means the County has an unfunded liability of \$4,724,678 and that the plan is 83% funded. The goal of the County's Pension Board is to reach 100 percent funding with a lower expected rate of return on investments.

It's important to note that the pension liability is an estimate based on some best guesses. These guesses are made by an independent professional actuarial firm, not the senior management team.

The most important guess is the rate of return the pension fund will earn on its investments. The current estimate is 7.15 percent although the Pension Board has voted to slowly reduce the number to 7 percent. This slow reduction in the expected rate of return makes the County's pension fund seem less well funded, however, making the estimate more conservative means the pension fund is *better* funded.

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 plan that is 143% funded.

Over the past seven years, the County has addressed other unfunded liabilities like the past policy of cash payouts for accrued sick leave on retirement. The previous Board of Commissioners paid employees for some accrued sick leave and changed to pension plan to allow conversion of all unused sick leave into pension service credit at retirement.

Along with the improvement in unrestricted cash reserves, progress on unfunded liabilities has been a major financial accomplishment for the County. It bears mentioning, however, that both the pension and OPEB funds are comprised of a mix of investments including equities. The U.S. stock market is in the midst of the longest "bull market" in history. Sooner or later, the economy will cool and the stocks will tumble in a "bear market." The senior management team strongly believes the County should continue decreasing unfunded liabilities to allow the pension and OPEB funds to endure a market correction.

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 \$2.9 million cumulatively in property tax revenues over the past six years. The five smallest towns receive support in the form of direct payments. For the FY 18 budget, 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 18 fiscal year—in plain language. If you have read to this point, congratulations!

Buried amid the mountain of data is a simple message. FY 18 was a good year. The County continues to improve financially. Services have been expanded and, in some instances, restructured. The Commissioners have continued a focus on public safety. The collaborative budget process—the Caroline Way—has minimized conflict and competition. The relationships

between the County and allied agencies is as strong as in any county in Maryland. After the pain of the Great Recession, the collapse in housing prices, cost shifting by the State of Maryland, and draconian cuts in funding, the County has largely recovered.

The Commissioners made a critical decision to increase the income tax rate during the year, a financially prudent measure necessary to build a new building for the Sheriff's Office and to replace Greensboro Elementary School. Of all Board decisions made in the past decade, that likely will prove the most significant.

Like every Eastern Shore county, Caroline faces some significant challenges. The regional labor market has tightened. Some departments have struggled to recruit and retain entry level employees. There are signs of inflation—the general increase in prices. Interest rates are increasing and some expenses are increasing at a higher rate than the County's tax base is growing. Perhaps the biggest challenge for the County is truly balancing the budget, i.e., funding a sustainable capital improvement plan without drawing down reserves. The senior management team is hopeful that the income tax increase will allow this to occur.

Despite the challenges, Caroline County has proven exceptionally resilient. A fiscally conservative governing body is supported by a capable management team. While not readily evident in the audit, the strength of Caroline is its team of leaders committed to collaboration, cooperation, and community. As long as this unique culture exists, the senior management team believes the County financial progress will continue.

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, 2018. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

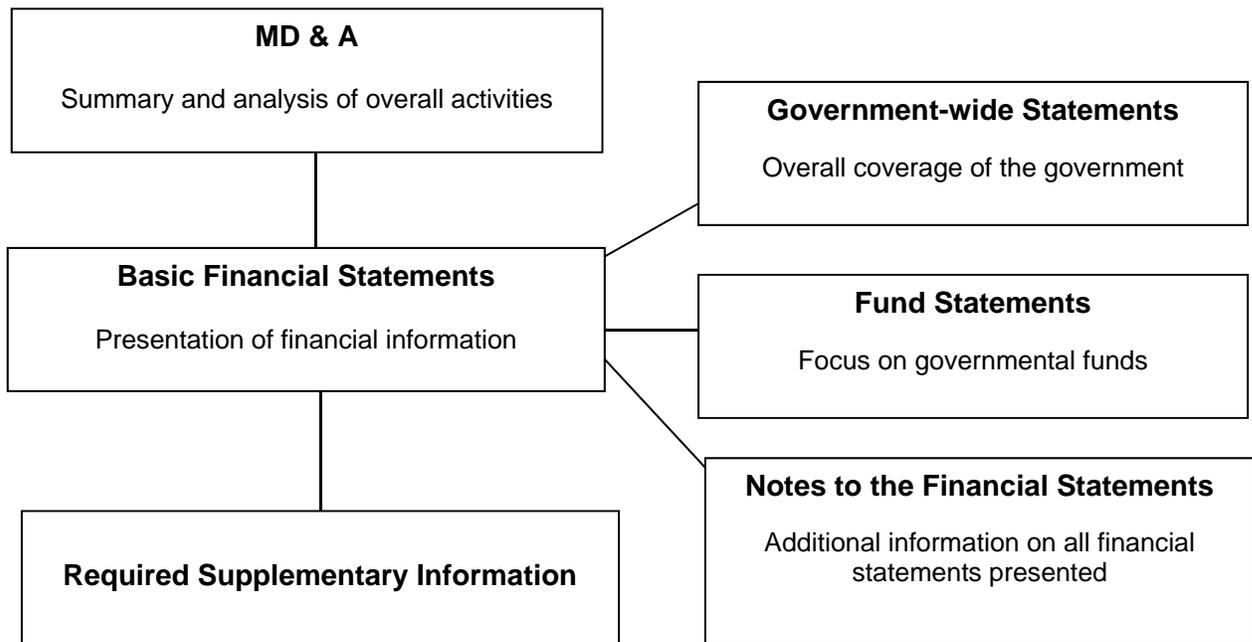
Financial Highlights

- Total fund balance for the General Fund was \$10,183,058 at June 30, 2018.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$41,707,404 (net position). Of total net position \$6,934,522 (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 \$4,001,085 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, 2018, the County's governmental funds reported combined fund balance of \$16 million, an increase of \$1.1 million from the prior year. Approximately \$9.8 million is available to meet the County's current and future needs (unassigned fund balance), 0.4 million is assigned, 4.2 million is committed, 1.3 million is restricted and 0.3 million is non-spendable.
- Unassigned fund balance for the General Fund was \$9,853,053 for the year ended June 30, 2018.
- Long-term Liabilities include approximately \$23.6 million in bonds payable, approximately \$4.5 million in loans and notes payable, approximately \$3.1 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.

Financial Statement Presentation



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

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

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

The Statement of Activities presents information regarding changes in the County's net 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 effects of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County Government maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty-four 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, Basic Life Support, and Broadband Supply funds are combined, and the County has no major proprietary funds. 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 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 is 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 19,253,493	\$ 17,445,774	\$ 1,560,718	\$ 1,349,952	\$ 20,814,211	\$ 18,795,726
Capital assets, net of depreciation	64,952,780	65,608,435	905,833	975,797	65,858,613	66,584,232
Total assets	84,206,273	83,054,209	2,466,551	2,325,749	86,672,824	85,379,958
Deferred outflow s	4,535,988	5,083,989	-	-	4,535,988	5,083,989
Noncurrent liabilities	45,886,691	49,982,809	-	-	45,886,691	49,982,809
Other liabilities	1,249,211	1,248,747	181,189	374,204	1,430,400	1,622,951
Total liabilities	47,135,902	51,231,556	181,189	374,204	47,317,091	51,605,760
Deferred inflow s	2,184,317	1,151,868	-	-	2,184,317	1,151,868
Net investment in capital assets	32,614,338	30,570,337	905,833	975,797	33,520,171	31,546,134
Restricted	1,252,711	1,226,766	-	-	1,252,711	1,226,766
Unrestricted	5,554,993	3,957,671	1,379,529	975,748	6,934,522	4,933,419
Total net position	\$ 39,422,042	\$ 35,754,774	\$ 2,285,362	\$ 1,951,545	\$ 41,707,404	\$ 37,706,319

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 \$41.7 million at the close of the most recent fiscal year, which is an increase of \$4 million from the previous year.

By far, the largest portion of Caroline County's net position, approximately \$33.5 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; so these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

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

At the end of the current fiscal year, Caroline County is able to report positive balances in all three categories of net 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	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 1,572,021	\$ 1,582,038	\$ 2,838,552	\$ 2,633,977	\$ 4,410,573	\$ 4,216,015
Operating grants	3,314,597	3,123,366	601,157	588,529	3,915,754	3,711,895
Capital grants	190,513	1,641,056	-	-	190,513	1,641,056
General revenues:						
Property taxes	25,380,855	25,320,390	-	-	25,380,855	25,320,390
Other taxes	16,742,788	16,075,603	-	-	16,742,788	16,075,603
Operating grants (unrestricted)	2,131,782	2,131,782	-	-	2,131,782	2,131,782
Other	215,732	267,156	-	-	215,732	267,156
Total revenues	49,548,288	50,141,391	3,439,709	3,222,506	52,987,997	53,363,897
Program expenses:						
General government	6,136,644	7,146,867	-	-	6,136,644	7,146,867
Public safety	14,833,750	14,737,034	-	-	14,833,750	14,737,034
Public works	5,162,103	4,455,794	-	-	5,162,103	4,455,794
Health	501,524	484,226	-	-	501,524	484,226
Social services	188,531	218,653	-	-	188,531	218,653
Primary education	14,640,054	15,143,859	-	-	14,640,054	15,143,859
Secondary education	1,525,587	1,562,744	-	-	1,525,587	1,562,744
Recreation and culture	1,426,255	1,463,349	-	-	1,426,255	1,463,349
Library	1,176,153	1,205,435	-	-	1,176,153	1,205,435
Conservation and natural resources	139,104	180,565	-	-	139,104	180,565
Economic development	267,309	458,263	-	-	267,309	458,263
Interfaith housing	6,000	6,000	-	-	6,000	6,000
Interest on long-term debt	1,012,561	1,097,700	-	-	1,012,561	1,097,700
Other	-	-	1,985,779	1,784,495	1,985,779	1,784,495
Total expenses	47,015,575	48,160,489	1,985,779	1,784,495	49,001,354	49,944,984
Excess (deficiency) before transfers	2,532,713	1,980,902	1,453,930	1,438,011	3,986,643	3,418,913
Net transfer in (out)	1,134,555	1,295,605	(1,120,113)	(1,295,605)	14,442	-
Change in net position	3,667,268	3,276,507	333,817	142,406	4,001,085	3,418,913
Net position, beginning of year, as restated	35,754,774	32,478,267	1,951,545	1,809,139	37,706,319	34,287,406
Net position, end of year	\$ 39,422,042	\$ 35,754,774	\$ 2,285,362	\$ 1,951,545	\$ 41,707,404	\$ 37,706,319

Governmental activities show an increase of \$3,667,268. Business-type activities showed an increase in net position of \$333,817.

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 remained relatively flat during FY 2018. The assessable base moderately increased this year, 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 slightly improved in FY 2018. FY 2018 income taxes revenues indicate employment is modestly recovering however a continuing flat real estate market have continued to effect Property tax revenues. Property taxes remained level, and the property tax rate remained at .98 per \$100.

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

Business-type activities. The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee for 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 \$49,969 in FY 2018 compared to an increase in FY 2017 of \$56,505.

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 \$57,329 from FY 2017 to FY 2018. Expenses of the programs increased \$23,178.

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 \$28,585 a decrease of \$32,807 compared to FY 2017.

Combined business-type activities generated \$1,453,930 in net revenues over expenses, with \$1,120,113 transferred to governmental activities. This resulted in net position increasing by \$333,817 from FY 2017.

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 \$16 million. Approximately \$9.8 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 2019 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 \$ 9.8 million, while total fund balance was \$10.2 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 \$953,507 in FY 2018.
- Property tax revenue remained stable as assessments were flat and there was no change in the tax rate.
- Income tax remained stable from FY 2017 and was estimated conservatively. The over budget figure was \$970,004.
- Recordation tax increased \$153,222 from FY17 and was \$258,080 over budget.
- Departments primarily stayed within their budgets.

In the FY 2019 budget, the Caroline County Commissioners took the following actions:

- Employees received a 1.75% increase in pay for all County employees as well as a years of service pay increase.
- Departments were budgeted at flat or modest budget increases compared to the FY 2018 budget.
- The Sheriff's Office added two road deputies.
- EMS added another full shift in Federalsburg starting in January 2019.

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 \$1,951,545 in 2017 to \$2,285,362 in FY 2018.

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.

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, 2018, amounts to \$65.9 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	
	2018	2017	2018	2017	2018	2017
Capital Assets, net of depreciation						
Land	\$ 14,586,835	\$ 14,586,835	\$ -	\$ -	\$ 14,586,835	\$ 14,586,835
Non-depreciable infrastructure	17,052,974	17,052,974	-	-	17,052,974	17,052,974
Construction in progress	481,388	138,082	-	-	481,388	138,082
Infrastructure	11,089,598	11,047,271	-	-	11,089,598	11,047,271
Buildings	8,908,740	9,597,277	-	-	8,908,740	9,597,277
Utilities	1,383,688	1,414,154	-	-	1,383,688	1,414,154
Improvements	4,242,322	4,406,225	905,833	975,797	5,148,155	5,382,022
Machinery and equipment	7,207,235	7,365,617	-	-	7,207,235	7,365,617
Total	\$ 64,952,780	\$ 65,608,435	\$ 905,833	\$ 975,797	\$ 65,858,613	\$ 66,584,232

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

Long-term debt. Long-term debt obligations are summarized as follows:

	Balance July 1, 2017	Additions	Retirements and Repayments	Balance June 30, 2018	Current Portion
Governmental activities:					
Bonds and loans	\$ 30,448,341	\$ -	\$ 2,425,692	\$ 28,022,649	\$ 2,357,347
Bond premiums	117,951	-	6,773	111,178	6,772
Unpaid vacation and sick pay benefits	1,010,235	511,000	507,212	1,014,023	895,000
Accrued landfill liability	1,106,041	113,519	-	1,219,560	-
Dayspring Townhomes	2,530,583	-	28,322	2,502,261	-
Capital leases	3,471,097	-	338,623	3,132,474	349,526
Total	\$ 38,684,248	\$ 624,519	\$ 3,306,622	\$ 36,002,145	\$ 3,608,645

The County has a rating of “A3” from Moody’s Investment Service and a “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 3.8% in May 2018. The State’s average was 3.8%.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 2019.

The County maintained the current tax rate of .98 for Property Taxes

The County income tax rate will increase from 2.73% to 3.2% in January 2019. This increase will be used to pay for the Sheriff’s Building and the new Greensboro School.

The FY 2019 budget is not projected to include Fund Balance, and is requiring departments to remain within budgeted amounts. The Commissioners gave a 1.75% across the board raise to County Employees. The Fund Balance is projected to fund \$1,766,000 for Capital Expenditures. Revenue projections are still uncertain due to the slow economic recovery from recession.

¹ Monthly Labor Review May 2018 Maryland Department of Labor, Licensing and Regulation www.dlir.state.md.us

Request for Information

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

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
ASSETS:				
Cash and cash equivalents	\$ 14,067,900	\$ 1,283,651	\$ 15,351,551	\$ 11,871,000
Deposits	114,446	-	114,446	-
Taxes receivable	203,751	-	203,751	-
Accounts receivable	413,226	276,967	690,193	2,085,143
Other receivables	-	-	-	-
Prepaid expenses	17,424	100	17,524	8,604
Inventories	312,581	-	312,581	49,590
Due from other governments	1,659,297	-	1,659,297	1,800,049
Net OPEB prepayment	1,780,162	-	1,780,162	-
Other assets	684,706	-	684,706	-
Restricted assets:				
Cash and cash equivalents	-	-	-	523,947
Capital assets:				
Nondepreciable assets	32,121,197	-	32,121,197	308,929
Depreciable assets, net	32,831,583	905,833	33,737,416	90,300,810
Total assets	84,206,273	2,466,551	86,672,824	106,948,072
DEFERRED OUTFLOWS OF RESOURCES				
Pensions (see Note 8)	4,535,988	-	4,535,988	1,188,101
Other post-employment benefits (see Note 9)	-	-	-	46,000
Total deferred outflows of resources	4,535,988	-	4,535,988	1,234,101
LIABILITIES:				
Accounts payable	677,612	164,727	842,339	630,223
Accrued expenses	458,989	-	458,989	8,853,743
Unearned revenue	89,793	13,123	102,916	386,353
Internal balances, net	(3,339)	3,339	-	-
Other liabilities	26,156	-	26,156	-
Non-current liabilities:				
Net pension liability (see Note 8)	9,884,546	-	9,884,546	4,159,121
Net OPEB liability	-	-	-	120,025,653
Due within one year	3,608,645	-	3,608,645	663,752
Due in more than one year	32,393,500	-	32,393,500	4,749,817
Total liabilities	47,135,902	181,189	47,317,091	139,468,662
DEFERRED INFLOWS OF RESOURCES				
Pensions (see Note 8)	1,917,908	-	1,917,908	546,497
Other post-employment benefits (see Note 9)	266,409	-	266,409	711,892
Total deferred inflows of resources	2,184,317	-	2,184,317	1,258,389
NET POSITION:				
Net investment in capital assets	32,614,338	905,833	33,520,171	87,041,768
Restricted for:				
Special Grants	4,669	-	4,669	-
OJP Grants Law Enforcement	6,671	-	6,671	-
Revolving Loan	210,278	-	210,278	-
MEAF Revolving Loan	156,233	-	156,233	-
Equitable Sharing Task Force	87,555	-	87,555	-
Commissary Account	5,677	-	5,677	-
Law Library	12,118	-	12,118	-
Drug Task Force	120,916	-	120,916	-
Dayspring Townhomes	648,594	-	648,594	-
Library - fund purposes	-	-	-	58,532
Unrestricted	5,554,993	1,379,529	6,934,522	(119,645,178)
Total net position	\$ 39,422,042	\$ 2,285,362	\$ 41,707,404	\$ (32,544,878)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2018

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	\$ 6,136,644	\$ 657,364	\$ 928,010	\$ -	\$ (4,551,270)	\$ -	\$ (4,551,270)	\$ -
Public Safety	14,833,750	506,073	1,449,773	-	(12,877,904)	-	(12,877,904)	-
Public Works	5,162,103	298,695	578,146	124,036	(4,161,226)	-	(4,161,226)	-
Health	501,524	69	-	-	(501,455)	-	(501,455)	-
Social services	188,531	-	-	-	(188,531)	-	(188,531)	-
Primary education	14,640,054	-	-	-	(14,640,054)	-	(14,640,054)	-
Secondary education	1,525,587	-	-	-	(1,525,587)	-	(1,525,587)	-
Library	1,176,153	-	-	-	(1,176,153)	-	(1,176,153)	-
Recreation and culture	1,421,255	109,820	137,987	58,353	(1,115,095)	-	(1,115,095)	-
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-
Conservation of natural resources	139,104	-	71,751	-	(67,353)	-	(67,353)	-
Interfaith housing	6,000	-	-	-	(6,000)	-	(6,000)	-
Economic development	267,309	-	148,930	8,124	(110,255)	-	(110,255)	-
Interest on long-term debt	1,012,561	-	-	-	(1,012,561)	-	(1,012,561)	-
Total governmental activities	47,015,575	1,572,021	3,314,597	190,513	(41,938,444)	-	(41,938,444)	-
Business-type activities:								
Basic life support	348,888	1,548,689	-	-	-	1,199,801	1,199,801	-
Recreation	809,574	264,225	601,157	-	-	55,808	55,808	-
Broadband supply	175,859	345,595	-	-	-	169,736	169,736	-
Public works	651,458	680,043	-	-	-	28,585	28,585	-
Total business-type activities	1,985,779	2,838,552	601,157	-	-	1,453,930	1,453,930	-
Total primary government	\$ 49,001,354	\$ 4,410,573	\$ 3,915,754	\$ 190,513	(41,938,444)	1,453,930	(40,484,514)	-
COMPONENT UNITS:								
Board of Education of Caroline Co.	\$ 94,356,144	\$ 5,039,927	\$ 11,512,828	\$ 2,613,942	-	-	-	(75,189,447)
Board of Library Trustees of Caroline Co.	1,762,331	13,995	140,317	-	-	-	-	(1,608,019)
Total component units	\$ 96,118,475	\$ 5,053,922	\$ 11,653,145	\$ 2,613,942	-	-	-	(76,797,466)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2018

	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	\$ 25,380,855	\$ -	\$ 25,380,855	\$ -
Income taxes	13,870,004	-	13,870,004	-
Recordation tax	1,858,080	-	1,858,080	-
School construction excise tax	152,416	-	152,416	-
Transfer taxes	583,469	-	583,469	-
Franchise tax	183,527	-	183,527	-
Other local taxes	95,292	-	95,292	-
Disparity grant not restricted to specific program	2,131,782	-	2,131,782	-
Interest and investment earnings	198,843	-	198,843	132,390
Other income	16,889	-	16,889	619,861
County and State appropriations	-	-	-	68,871,167
Net transfers in (out)	1,134,555	(1,120,113)	14,442	-
Total general revenues and transfers	45,605,712	(1,120,113)	44,485,599	69,623,418
Change in net position	3,667,268	333,817	4,001,085	(7,174,048)
Net position – beginning, as restated	35,754,774	1,951,545	37,706,319	(25,370,830)
Net position – ending	\$ 39,422,042	\$ 2,285,362	\$ 41,707,404	\$ (32,544,878)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,056,211	\$ 1,516,797	\$ 1,494,892	\$ 14,067,900
Deposits	-	114,446	-	114,446
Receivables:				
Taxes	203,751	-	-	203,751
Accounts	289	152,252	260,685	413,226
Due from other funds	84,005	2,033,368	7,270	2,124,643
Due from other governments	1,659,297	-	-	1,659,297
Prepaid items	17,424	-	-	17,424
Material and supplies, at cost	312,581	-	-	312,581
Other assets	-	-	684,706	684,706
Total assets	\$ 13,333,558	\$ 3,816,863	\$ 2,447,553	\$ 19,597,974
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 406,908	\$ 155,092	\$ 115,612	\$ 677,612
Accrued items	458,989	-	-	458,989
Due to other funds	2,030,029	-	91,275	2,121,304
Due to other governments	-	-	-	-
Unearned revenues	61,394	-	28,399	89,793
Other liabilities	-	-	26,156	26,156
Total liabilities	2,957,320	155,092	261,442	3,373,854
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	193,180	-	-	193,180
Fund balance:				
Non-spendable	330,005	-	-	330,005
Restricted	-	-	1,252,711	1,252,711
Committed	-	3,661,771	567,100	4,228,871
Assigned	-	-	380,778	380,778
Unassigned	9,853,053	-	(14,478)	9,838,575
Total fund balance	10,183,058	3,661,771	2,186,111	16,030,940
Total liabilities, deferred inflows of resources and fund balance	\$ 13,333,558	\$ 3,816,863	\$ 2,447,553	\$ 19,597,974

See accompanying notes.

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

June 30, 2018

Total Governmental Fund Balance	\$	16,030,940
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		64,952,780
Deferred outflow of resources - County pension (see Note 8)		3,281,737
Deferred inflow of resources - County pension (see Note 8)		(1,273,864)
Net pension liability - County pension (see Note 8)		(4,724,678)
Deferred outflow of resources - Maryland State pension (see Note 8)		1,254,251
Deferred inflow of resources - Maryland State pension (see Note 8)		(644,044)
Net pension liability - Maryland State pension (see Note 8)		(5,159,868)
Deferred outflow of resources - OPEB (see Note 9)		-
Deferred inflow of resources - OPEB (see Note 9)		(266,409)
Net OPEB asset (liability) - OPEB (see Note 9)		1,780,162
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		193,180
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		(28,022,649)
Bond premiums		(111,178)
Unpaid vacation and sick pay benefits		(1,014,023)
Accrued landfill liability		(1,219,560)
Dayspring Townhomes		(2,502,261)
Capital leases		(3,132,474)
Net position of Governmental Activities	\$	39,422,042

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2018

	General Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 41,917,094	\$ 583,469	\$ 174,240	\$ 42,674,803
License and permits	187,713	-	69	187,782
Intergovernmental revenues	3,935,794	295,695	624,090	4,855,579
Charges for services	796,880	-	16,296	813,176
Miscellaneous revenues	235,010	117,349	637,603	989,962
Total revenues	47,072,491	996,513	1,452,298	49,521,302
Expenditures:				
General government	5,311,026	193,937	336,346	5,841,309
Public safety	13,642,510	757,883	432,627	14,833,020
Public works	3,537,962	1,580,765	14,527	5,133,254
Health	469,014	-	32,510	501,524
Social services	216,853	-	-	216,853
Primary education	14,204,725	435,329	-	14,640,054
Secondary education	1,625,341	-	-	1,625,341
Public Library	1,176,153	-	-	1,176,153
Recreation and parks	954,794	229,525	105,985	1,290,304
Arts	5,000	-	-	5,000
Conservation of natural resources	139,104	-	-	139,104
Interfaith housing	6,000	-	-	6,000
Economic development	108,842	-	158,467	267,309
Contingency	218,885	-	-	218,885
Debt Service:				
Principal	2,664,561	-	-	2,664,561
Interest and fiscal charges	1,012,561	-	-	1,012,561
Total expenditures	45,293,331	3,197,439	1,080,462	49,571,232
Excess (deficiency) of revenues over expenditures	1,779,160	(2,200,926)	371,836	(49,930)
Other financing sources (uses):				
Transfers in / (out)	(825,653)	2,194,479	(234,271)	1,134,555
Total other financing sources (uses)	(825,653)	2,194,479	(234,271)	1,134,555
Net change in fund balances	953,507	(6,447)	137,565	1,084,625
Fund balances, beginning	9,162,739	3,668,218	2,048,546	14,879,503
Change in reserve for materials and supplies	66,812	-	-	66,812
Fund balances, ending	\$ 10,183,058	\$ 3,661,771	\$ 2,186,111	\$ 16,030,940

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, 2018

Net change in fund balance - Governmental Funds	\$	1,084,625
<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>		2,836,538
<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>		(16,740)
<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>		2,682,103
<p>Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.</p>		26,986
<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)		(284,847)
Change in deferred inflow of resources - County pension (see Note 8)		(428,080)
Change in net pension liability - County pension (see Note 8)		857,250
Change in deferred outflow of resources - Maryland State pension (see Note 8)		(263,154)
Change in deferred inflow of resources - Maryland State pension (see Note 8)		(337,960)
Change in net pension liability - Maryland State pension (see Note 8)		556,765
Change in deferred outflow of resources - OPEB (see Note 9)		-
Change in deferred inflow of resources - OPEB (see Note 9)		(266,409)
Change in net OPEB liability - OPEB (see Note 9)		628,832
Increase in reserve for materials and supplies		66,812
Depreciation expense		(3,475,453)
Change in net position of Governmental Activities	\$	3,667,268

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

ASSETS:

Current assets:

Cash and cash equivalents	\$	1,283,651
Accounts receivable		276,967
Prepaid expenses		100

Total current assets		1,560,718
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Noncurrent assets:

Capital assets, net		905,833
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Total assets		2,466,551
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LIABILITIES:

Current liabilities:

Accounts payable		164,727
Unearned revenue		13,123
Due to other funds		3,339

Total current liabilities		181,189
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Noncurrent liabilities:

Long-term debt		-
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Total liabilities		181,189
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NET POSITION:

Invested in capital assets		905,833
Unrestricted		1,379,529

Total net position	\$	2,285,362
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See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2018

Operating revenues:	
Charges for services	\$ 2,838,552
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Total operating revenues	2,838,552
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Operating expenses:	
Personnel services	490,889
Operations and maintenance	1,352,493
Depreciation expense	142,397
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Total operating expenses	1,985,779
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Operating income	852,773
<hr/>	
Nonoperating revenues (expenses):	
Intergovernmental revenues	601,157
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Total nonoperating revenues (expenses)	601,157
<hr/>	
Transfers in (out)	(1,120,113)
<hr/>	
Change in net position	333,817
<hr/>	
Net position, beginning of year	1,951,545
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Net position, end of year	\$ 2,285,362
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See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED June 30, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 2,739,534
Cash paid to suppliers	(1,293,590)
Cash paid to employees	(490,889)
<hr/>	
Net cash provided by operating activities	955,055
<hr/>	
Cash flows from noncapital financing activities:	
Intergovernmental	601,157
Transfers in (out)	(1,120,113)
Receipt (payment) of interfund loan	(252,305)
<hr/>	
Net cash used by noncapital financing activities	(771,261)
<hr/>	
Cash flows from capital and financing activities	
Acquisition of capital assets	(72,433)
<hr/>	
Net cash used by capital and financing activities	(72,433)
<hr/>	
Net increase in cash and cash equivalents	111,361
Cash and cash equivalents, beginning of year	1,172,290
<hr/>	
Cash and cash equivalents, end of year	\$ 1,283,651
<hr/>	
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 852,773
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	142,397
(Increase) decrease in accounts receivable	(99,305)
(Increase) decrease in prepaid expense	(100)
Increase (decrease) in accounts payable	59,003
Increase (decrease) in unearned revenue	287
<hr/>	
Net cash provided by operating activities	\$ 955,055
<hr/>	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 572,662	\$ 545,616
Investments at fair value:		
Fixed income	-	8,315,049
Equity funds	-	21,344,008
Other	-	62,250
<hr/>		
Total investments at fair value	-	29,721,307
<hr/>		
Taxes and other receivables	77,559	-
<hr/>		
Total assets	\$ 650,221	\$ 30,266,923
<hr/>		
<u>LIABILITIES:</u>		
Accounts payable	144,539	-
Due to property owners	426,478	-
Due to other governments	77,859	-
Due to participants	1,345	-
<hr/>		
Total liabilities	\$ 650,221	-
<hr/>		
<u>NET POSITION:</u>		
Net position restricted for employee benefits		\$ 30,266,923
<hr/>		

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED June 30, 2018

	<u>Employee benefit Trust Funds</u>
Additions:	
Contributions:	
Plan sponsor	\$ 1,090,000
Employee	196,950
Gains	1,292,306
Interest, dividends and gains	835,959
<hr/>	
Total additions	3,415,215
<hr/>	
Deductions:	
Benefits paid	1,507,724
Losses	-
Transfers (in) out	14,442
Administrative fees	111,845
<hr/>	
Total deductions	1,634,011
<hr/>	
Change in net position	1,781,204
Net position, beginning of year	28,485,719
<hr/>	
Net position, end of year	\$ 30,266,923
<hr/> <hr/>	

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 June 30, 2018

	Board of Education of <u>Caroline County</u>	Board of Library Trustees of <u>Caroline County</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 11,448,903	\$ 422,097	\$ 11,871,000
Accounts receivable	2,011,086	74,057	2,085,143
Prepaid expenses	3,949	4,655	8,604
Inventories	49,590	-	49,590
Due from other governments	1,800,049	-	1,800,049
Restricted assets:			
Cash and cash equivalents	-	523,947	523,947
Nondepreciable assets	308,929	-	308,929
Depreciable assets, net	89,404,599	896,211	90,300,810
Total assets	105,027,105	1,920,967	106,948,072
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,188,101	-	1,188,101
Other post-employment benefits	46,000	-	46,000
Total deferred outflows of resources	1,234,101	-	1,234,101
LIABILITIES:			
Accounts payable	616,439	13,784	630,223
Accrued expenses	8,811,321	42,422	8,853,743
Unearned revenue	318,938	67,415	386,353
Accrued compensated absences	-	15,918	15,918
Long-term liabilities:			
Net pension liability	4,159,121	-	4,159,121
Net OPEB liability	120,025,653	-	120,025,653
Due within one year	663,752	-	663,752
Due in more than one year	4,733,899	-	4,733,899
Total liabilities	139,329,123	139,539	139,468,662
DEFERRED INFLOWS OF RESOURCES			
Pensions	546,497	-	546,497
Other post-employment benefits	711,892	-	711,892
	1,258,389	-	1,258,389
NET POSITION:			
Net investment in capital assets	86,145,557	896,211	87,041,768
Restricted for:			
Fund purposes	-	58,532	58,532
Unrestricted (deficit)	(120,471,863)	826,685	(119,645,178)
Total net position	\$ (34,326,306)	\$ 1,781,428	\$ (32,544,878)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2018

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	\$ 94,356,144	\$ 5,039,927	\$ 11,512,828	\$ 2,613,942	\$ (75,189,447)	\$ -	\$ (75,189,447)
Board of Library Trustees of Caroline County	1,762,331	13,995	140,317	-	-	(1,608,019)	(1,608,019)
Total component units	\$ 96,118,475	\$ 5,053,922	\$ 11,653,145	\$ 2,613,942	(75,189,447)	(1,608,019)	(76,797,466)
General revenues:							
County appropriations					14,207,361	1,171,653	15,379,014
State appropriations					53,050,265	441,888	53,492,153
Interest and investment earnings					122,499	9,891	132,390
Miscellaneous					572,742	47,119	619,861
Total general revenue					67,952,867	1,670,551	69,623,418
Change in net position					(7,236,580)	62,532	(7,174,048)
Net position – beginning, as restated					(27,089,726)	1,718,896	(25,370,830)
Net position – ending					\$ (34,326,306)	\$ 1,781,428	\$ (32,544,878)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 and the Board of Education receives a significant portion of its operational and capital project funding from the County. 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 and the Library receives a significant portion of its operational and capital project funding from the County. 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, 2018

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, 2018

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. All Special Revenue Funds of the County are considered 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. All enterprise funds of the County are considered 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, 2018

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, and a trust fund established to accumulate funds to pay for health and welfare benefits of future retirees. 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, 2018

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, 2018

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 five years for the County and one year for the Board. 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, donated works of art and similar items, and capital assets received in a service concession arrangements are recorded at acquisition 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, 2018

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 - 20 years
Vehicles	5 years
Books and materials	7 years
Leasehold improvements	15 - 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) and OPEB liability (see Note 9). These amounts are 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) and OPEB liability (see Note 9). 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, 2018

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.

The County uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The General fund is the only governmental fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that 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, 2018

Note 1. Summary of significant accounting policies (continued)

D. Financial Statement Amounts (continued)

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

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Capital Improvements:			
General government	\$ -	\$ 256,000	\$ -
Public safety	-	716,960	-
Public works	-	1,863,430	-
Recreation and culture	-	75,381	-
Required reserve	-	750,000	-
Other Governmental funds:			
Special Grants Fund	4,669	-	-
OJP Grants Law Enforcement	6,671	-	-
Revolving Loan Fund	210,278	-	-
MEAF Revolving Loan	156,233	-	-
Equitable Sharing Task Force	87,555	-	-
Local Agricultural Land Preservation	-	35,700	-
State Agricultural Land Preservation	-	8,429	-
Summerfest	-	-	2,623
Commissary Account	5,677	-	-
Law Library	12,118	-	-
Critical Area Forestry	-	35,275	-
Forest Conservation	-	23,533	-
Business and Tech Park	-	-	57,811
Health Department	-	-	320,344
Drug Task Force	120,916	-	-
Dayspring Townhomes	648,594	-	-
Educational Facilities	-	464,163	-
Total	\$ 1,252,711	\$ 4,228,871	\$ 380,778

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, 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, 2018

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, 2018.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$7,230,808 and the bank balance was \$8,401,420, 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	\$ 8,120,743

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, 2018, 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, 2018

Note 3. Cash Deposits and Investments (continued)

Fiduciary Fund Investments: The Caroline County Employees Pension Plan, Other Postemployment Benefit 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	\$ 545,616
Fixed income - < 1 year	707,549
Fixed income - 1-5 years	3,303,868
Fixed income - 5-10 years	4,191,252
Fixed income - 10+ years	112,380
Equity funds	21,344,008
Other	62,250
Total	\$ 30,266,923

The fair value GAAP hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Fixed income and Equity investments are considered to be Level 2.

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, 2018 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 \$571,214 and the bank balance was \$1,210,643. 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 \$176,058 and the bank balance was \$185,086, all of which was covered by Federal depository insurance.

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 10,877,689

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

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 769,986

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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	\$ 84,005	\$ 2,030,029	\$ (1,946,024)
Capital Improvements	2,033,368	-	2,033,368
Other Governmental Funds	7,270	91,275	(84,005)
Total Governmental Funds	2,124,643	2,121,304	3,339
<u>Proprietary Funds:</u>			
Other Proprietary Funds	-	3,339	(3,339)
Total Proprietary Funds	-	3,339	(3,339)
Total	\$ 2,124,643	\$ 2,124,643	\$ -

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, 2018

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, 2018, 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, 2018 is as follows:

	Transfers In	Transfers Out	Net In (Out)
<u>Governmental Funds:</u>			
General Fund	\$ 1,661,376	\$ 2,487,029	\$ (825,653)
Capital Improvements	2,194,479	-	2,194,479
Other Governmental Funds	46,265	280,536	(234,271)
Total Governmental Funds	3,902,120	2,767,565	1,134,555
<u>Proprietary Funds:</u>			
Other Proprietary Funds	175,492	1,295,605	(1,120,113)
Total Proprietary Funds	175,492	1,295,605	(1,120,113)
<u>Fiduciary Funds</u>			
Retiree Health Care	-	14,442	(14,442) *
Total Fiduciary Funds	-	14,442	(14,442)
Total	\$ 4,077,612	\$ 4,077,612	\$ -

* Fund was closed and monies were transferred back to the General Fund.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6. Capital assets

Caroline County

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 14,586,835	\$ -	\$ -	\$ 14,586,835
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	138,082	447,881	(104,575)	481,388
Total capital assets, not depreciated	31,777,891	447,881	(104,575)	32,121,197
Capital assets, depreciated:				
Infrastructure	32,137,793	1,133,528	-	33,271,321
Buildings	29,527,304	138,805	-	29,666,109
Utilities	1,523,324	-	-	1,523,324
Improvements	11,299,198	261,515	104,575	11,665,288
Machinery and equipment	20,300,125	854,809	(280,625)	20,874,309
Total capital assets, depreciated	94,787,744	2,388,657	(176,050)	97,000,351
Less: accumulated depreciation for:				
Infrastructure	(21,090,522)	(1,091,201)	-	(22,181,723)
Buildings	(19,930,027)	(827,342)	-	(20,757,369)
Utilities	(109,170)	(30,466)	-	(139,636)
Improvements	(6,892,973)	(529,993)	-	(7,422,966)
Machinery and equipment	(12,934,508)	(996,451)	263,885	(13,667,074)
Total accumulated depreciation	(60,957,200)	(3,475,453)	263,885	(64,168,768)
Total capital assets, depreciated, net	33,830,544	(1,086,796)	87,835	32,831,583
Governmental activities capital assets, net	\$ 65,608,435	\$ (638,915)	\$ (16,740)	\$ 64,952,780
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets, depreciated:				
Building and improvements	1,486,672	72,433	-	1,559,105
Less: accumulated depreciation for:				
Buildings and improvements	(510,875)	(142,397)	-	(653,272)
Total capital assets, depreciated, net	975,797	(69,964)	-	905,833
Business-type activities capital assets, net	\$ 975,797	\$ (69,964)	\$ -	\$ 905,833

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$	839,015
Public safety		871,908
Public works		1,469,889
Recreation and culture		294,641
<hr/>		
Total depreciation expense - Governmental Activities	\$	3,475,453

Business-type Activities:

Broadband supply	\$	140,407
Public works		1,990
<hr/>		
Total depreciation expense - business-type activities	\$	142,397

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6. Capital assets (continued)

Board of Education

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets, not depreciated:				
Construction in progress	\$ 32,998	\$ -	\$ (32,998)	\$ -
Land	205,329	103,600	-	308,929
Total capital assets, not depreciated	238,327	103,600	(32,998)	308,929
Capital assets, depreciated:				
Buildings and improvements	125,652,321	2,437,389	-	128,089,710
Furniture and equipment	1,897,990	132,305	32,998	2,063,293
Software	675,517	-	-	675,517
Vehicles	2,459,842	436,228	(64,721)	2,831,349
Total capital assets, depreciated	130,685,670	3,005,922	(31,723)	133,659,869
Less: accumulated depreciation for:				
Buildings and improvements	(38,340,728)	(2,441,430)	-	(40,782,158)
Furniture and equipment	(1,268,496)	(74,466)	-	(1,342,962)
Software	(661,935)	(8,432)	-	(670,367)
Vehicles	(1,424,210)	(184,002)	11,948	(1,596,264)
Total accumulated depreciation	(41,695,369)	(2,708,330)	11,948	(44,391,751)
Total capital assets, depreciated, net	88,990,301	297,592	(19,775)	89,268,118
Governmental activities capital assets, net	\$ 89,228,628	\$ 401,192	\$ (52,773)	\$ 89,577,047
Business-type activities:				
Equipment	\$ 993,060	\$ -	\$ -	\$ 993,060
Software	27,122	-	-	27,122
Vehicles	55,670	-	-	55,670
Total capital assets being depreciated	1,075,852	-	-	1,075,852
Less: accumulated depreciation:				
Equipment	(844,232)	(14,383)	-	(858,615)
Software	(27,122)	-	-	(27,122)
Vehicles	(49,558)	(4,076)	-	(53,634)
Total accumulated depreciation	(920,912)	(18,459)	-	(939,371)
Business-type activities capital assets, net	\$ 154,940	\$ (18,459)	\$ -	\$ 136,481

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6. Capital assets (continued)

Depreciation expense for the fiscal year ended June 30, 2018 was charged to governmental functions as follows:

Administration	\$	59,359
School management and support		33,674
Other instructional costs		2,441,912
Pupil transportation		127,343
Maintenance of plant		46,042
<hr/>		
Total depreciation expense	\$	2,708,330

Library

Capital asset activity for the Library for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furnishings and equipment	\$ 747,128	\$ 38,139	\$ (15,192)	\$ 770,075
Vehicles	29,899	29,697	(29,899)	29,697
Leasehold improvements	533,651	29,772	-	563,423
Books and materials	702,238	79,488	(116,913)	664,813
	2,012,916	177,096	(162,004)	2,028,008
Accumulated depreciation:				
Furnishings and equipment	(585,063)	(38,645)	13,940	(609,768)
Vehicles	(29,899)	(4,949)	29,899	(4,949)
Leasehold improvements	(134,309)	(27,566)	-	(161,875)
Books and materials	(374,471)	(97,647)	116,913	(355,205)
	(1,123,742)	(168,807)	160,752	(1,131,797)
Net capital assets	\$ 889,174	\$ 8,289	\$ (1,252)	\$ 896,211

Governmental activities depreciation expense was \$168,807 for the fiscal year ended June 30, 2018.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

	Balance July 01, 2017	Additions	Retirements and Repayments	Balance June 30, 2018	Current Portion
<u>Governmental activities:</u>					
Bonds and loans	\$ 30,448,341	\$ -	\$ 2,425,692	\$ 28,022,649	\$ 2,357,347
Bond premiums	117,951	-	6,773	111,178	6,772
Unpaid vacation and sick pay benefits	1,010,235	511,000	507,212	1,014,023	895,000
Accrued landfill liability	1,106,041	113,519	-	1,219,560	-
Dayspring Townhomes	2,530,583	-	28,322	2,502,261	-
Capital leases	3,471,097	-	338,623	3,132,474	349,526
	\$ 38,684,248	\$ 624,519	\$ 3,306,622	\$ 36,002,145	\$ 3,608,645

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

The accrued landfill liability is a contingent long-term liability as it is expected that sufficient funds are available from landfill revenues to pay future closure and post closure cost. To date, additional funding from the County has not been required nor does management anticipate it. In addition MES has satisfied its financial assurance requirements as of June 30, 2018 and expects to satisfy these requirements next year using the same criteria. See note 13 for more information.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2018 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	\$ 4,065,000
2008 Public Improvement Bond	3.25-5.0%	2008	2028	5,600,000	3,355,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	3,445,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	6,080,000
2014 Public Improvement Bond	2.5-3.125%	2015	2035	7,205,000	6,590,000
Jonestown Bond	2.375%	2015	2054	95,000	-
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	1,301,402
Chesapeake College	5.506%	2000	2020	535,000	76,178
Chesapeake College	3.500%	2003	2023	155,000	52,540
				<u>\$ 46,127,529</u>	<u>\$ 28,022,649</u>
Other components:					
Bond premiums					111,178
Long-term portion of unpaid vacation and sick pay benefits					1,014,023
Accrued landfill liability					1,219,560
Long-term obligations of Dayspring Townhomes					2,502,261
Capital leases					3,132,474
				<u>\$ 36,002,145</u>	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 are as follows:

Fiscal Year Ending June 30	<u>Governmental Activities</u>		Total Requirement
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 2,357,347	\$ 980,810	\$ 3,338,157
2020	2,460,178	894,681	3,354,859
2021	2,519,978	801,057	3,321,035
2022	2,648,207	701,498	3,349,705
2023	1,631,492	618,855	2,250,347
2024 - 2028	7,737,729	2,130,124	9,867,853
2029 - 2033	4,257,928	648,253	4,906,181
2034 - 2037	1,352,261	80,115	1,432,376
	<u>\$ 24,965,120</u>	<u>\$ 6,855,393</u>	<u>\$ 31,820,513</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 \$2,502,261 (as of June 30, 2018) 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, 2018

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 \$844,078 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, 2018

Note 8. Retirement Plans (continued)

Summary of Significant Plan Provisions

Effective date: July 1, 1969. Last restated July 1, 2013. Last amended July 1, 2016.

Eligibility: 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, 2016, the valuation date:

Inactive plan members (or their beneficiaries) currently receiving benefits	90
Inactive plan members entitled to but not yet receiving benefits	27
Active plan members	165
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Total	282

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.

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

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.

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.

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' 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, 2018

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.

Early retirement: 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

Orphans' Court Judges are not eligible for any early retirement benefits.

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

Disability Retirement: 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.

Termination – 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 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.

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.

Benefit – The Termination 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, 2018

Note 8. Retirement Plans (continued)

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.

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

Changes in Plan Provisions: Effective 7/1/16, the plan was amended to provide a one-time 2% COLA for participants who were in receipt of a benefit from the plan on or before July 1, 2015.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to a June 30, 2017 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.50% including inflation
Investment Rate of Return	7.15%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

Experience analysis: The following factors affected the contribution:

- The rate of return on the actuarial value of assets of 6.88% was less than the expected rate of 7.20% for the plan year ended June 30, 2016. This loss increased costs.
- The Participant contribution percentage increased from 1.0% to 1.5% for participants hired before July 1, 2013. This phased-in increase resulted in a decrease in the County’s contribution requirement.
- An additional \$1,000,000 trust contribution was made in 2016. This additional contribution decreased the unfunded actuarial accrued liability and effectively decreased the ADC.

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 ½ of the prior year’s gain/loss, less ¾ 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.

Sensitivity of the Net Pension Liability

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

	1% Decrease to 6.15%	Current Discount Rate 7.15%	1% Increase to 8.15%
Net pension liability	\$ 8,131,879	\$ 4,724,678	\$ 1,878,536

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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)
Measurement date, June 30, 2016	\$ 25,945,872	\$ 20,363,944	\$ 5,581,928
Changes for the year:			
Service cost	420,375	-	420,375
Interest	1,805,632	-	1,805,632
Changes of benefit terms	279,510	-	279,510
Differences between expected and actual experience	76,356	-	76,356
Changes of assumptions	160,504	-	160,504
Contributions - employer	-	1,048,518	(1,048,518)
Contributions - member	-	155,812	(155,812)
Net investment income	-	2,395,297	(2,395,297)
Benefit payments, including refunds of member contributions	(1,384,557)	(1,384,557)	-
Administrative expense	-	-	-
Other	-	-	-
Net Changes	1,357,820	2,215,070	(857,250)
Measurement date, June 30, 2017	\$ 27,303,692	\$ 22,579,014	\$ 4,724,678

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

83%

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

The components of pension expense, is as follows:

Description	Amount
Service cost	\$ 420,375
Interest on the total pension liability	1,805,632
Changes of benefit terms	279,510
Differences between expected and actual experience	12,527
Changes of assumptions	153,213
Employee contributions	(155,812)
Projected earnings on pension plan investments	(1,449,579)
Differences between expected and actual earnings on plan investments	(54,050)
Pension plan administrative expenses	-
Other changes in fiduciary net position	-
	1,011,816
Year end June 30, 2018 contributions	1,286,950
Total pension expense (income)	\$ 2,298,766

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
June 30, 2017	\$ 3,566,584	\$ 845,784
Year end June 30, 2017 contributions	(1,179,330)	-
Differences between expected and actual experience	76,356	-
Changes of assumptions	160,504	-
Net difference between projected and actual earnings on pension plan investments	-	945,717
Amortization of items allowed by GASB 68	(629,327)	(517,637)
Year end June 30, 2018 contributions	1,286,950	-
June 30, 2018	\$ 3,281,737	\$ 1,273,864

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

The \$1,286,950 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, 2019. 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:	
2019	\$ 111,691
2020	377,252
2021	235,127
2022	(127,612)
2023	124,465
Thereafter	-
Total	\$ 720,923

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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, 2018

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, 2018

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 2017 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, 2018

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, 2018

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, 2018

Note 8. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.50%
Retirement Age	Experience-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.

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	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	100%	

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, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 10.02%. 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, 2018

Note 8. Retirement Plans (continued)

Discount rate

A single discount rate of 7.50% 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 7.50%. 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 7.50%, 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 6.50%	Current Discount Rate 7.50%	1% Increase to 8.50%
County	\$ 7,312,554	\$ 5,159,868	\$ 3,373,746
Board	5,894,295	4,159,121	2,719,413

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 100% 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 related payment for fiscal year ending 2018 was \$1,660,016. In addition, the State of Maryland contributed \$4,323,883 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

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, 2018

Note 8. Retirement Plans (continued)

At June 30, 2018, the Board reported a liability for its proportionate share of the net pension liability. 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)	\$ 4,159,121
State's proportionate share of the net pension liability (Teachers' System)	47,736,155
<hr/>	
Total	<u>\$ 51,895,276</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 in accordance with the provision of GASB No. 67.
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 as of June 30, 2017, under the GASB No. 67 requirements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

At June 30, 2018, the County reported the following related to pensions:

	Board	County
Employer's proportionate (percentage) of the collective net pension liability	0.0192341%	0.0238621%
Employer's proportionate share of the collective net pension liability	\$ 4,159,121	\$ 5,159,868
Pension expense recognized by the employer for the year ended June 30, 2018	\$ 2,082,573	\$ 529,271
Deferred outflows of resources, June 30, 2017	\$ 1,392,855	\$ 1,517,405
Year end June 30, 2017 contributions	(462,805)	(485,675)
Difference between expected and actual experience	-	-
Change in assumptions	20,705	25,687
Amortization of items allowed by GASB 68	(262,652)	(288,088)
Year end June 30, 2018 contributions	499,998	484,922
Deferred outflows of resources June 30, 2018	<u>\$ 1,188,101</u>	<u>\$ 1,254,251</u>
Deferred inflows of resources June 30, 2017	\$ 294,547	\$ 306,084
Net difference between projected and actual investment earnings	166,167	206,150
Difference between expected and actual experience	201,521	250,010
Amortization of items allowed by GASB 68	(115,738)	(118,200)
Deferred inflows of resources June 30, 2018	<u>\$ 546,497</u>	<u>\$ 644,044</u>
NPL June 30, 2017	\$ 4,693,266	\$ 5,716,633
Change in NPL factored for contributions	(534,145)	(556,765)
NPL June 30, 2018	<u>\$ 4,159,121</u>	<u>\$ 5,159,868</u>

The \$499,998 and \$484,922 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, 2019. Other amounts reported as deferred outflows/inflows of resources will be amortized over approximately a five year period.

The County's deferred outflows/inflows will be amortized as follows:

June 30,	Deferred Outflows	Deferred Inflows
2019	\$ 293,462	\$ (222,052)
2020	281,863	(134,269)
2021	184,442	(131,987)
2022	5,374	(114,989)
2023	4,188	(40,747)
Total	<u>\$ 769,329</u>	<u>\$ (644,044)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Retirement Plans (continued)

The Board's deferred outflows/inflows will be amortized as follows:

June 30,	Deferred Outflows	Deferred Inflows
2019	\$ 266,985	\$ (199,449)
2020	255,404	(111,817)
2021	158,007	(109,537)
2022	4,332	(92,850)
2023	3,375	(32,844)
Total	\$ 688,103	\$ (546,497)

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

	Total Payroll	Covered Payroll	On-Behalf By State
County-MD retirement and pension	\$ 12,180,089	\$ 1,543,887	\$ -
Board of Education	48,408,542	38,356,101	4,323,883
Library	839,267	723,023	141,595

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 \$54,800 for the year ended June 30, 2018.

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 \$9,621 to this plan for the year ended June 30, 2018.

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, 2018

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. 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.

Participants that retire at Medicare age with 20 or more years of service are eligible to participate in the Medicare Supplemental Plan and receive a reimbursement for health insurance premiums. If a participant does not have at least 20 years of service and is eligible for Medicare they may purchase the County’s Medicare Supplement Plan at the full cost.

Participants who retire prior to Medicare age are eligible to receive a subsidy through a health reimbursement account (HRA) to help pay for health insurance premiums. Participants must meet the following eligibility requirements to participate in the plan and receive a subsidy:

- Age 50 with 30 years of service
- Age 60 with 20 years of service

A retiree who is eligible for employer sponsored health insurance through his/her employer or his/her spouse's employer shall not be eligible for this benefit.

The pre-Medicare HRA reimbursement is payable until the participant reaches Medicare age and becomes eligible to participate in the Medicare Supplemental Plan.

Spouses of retirees who are eligible to participate in the County's Medicare Supplement Plan may purchase the plan at the full cost.

Surviving spouses of retirees who were eligible to participate in the County's Medicare Supplement Plan may continue to purchase the plan at the full cost.

Deferred retirements are not allowed to elect coverage at the time of retirement.

Plan membership

The following is a summary of plan membership as of July 1, 2017.

Employees	177
Retirees	44
Total plan members	221

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Actuarial assumptions are summarized below.

Valuation date	July 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Closed level dollar
Amortization period	25 years (as of July 1, 2010)
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount rate	7.00%
Payroll increases	0.00%
Medical trend	The HRA contribution and Medical Supplemental Plan subsidy is assumed to increase 5.00% annually.
Mortality	RP-2014 Health mortality tables (male and female) with generational projection by Scale MP-2017

Discount Rate Determination

The discount rate used to determine the liabilities under depends upon the County's funding level and contribution policy. Governments that contribute an amount at least equal to the required contribution to a trust that can only be used to pay other post-employment benefits or are close to 100 percent funded can discount liabilities based on the expected long-term rate of return of the Trust. Since the plan is over 100% funded and expected to contribute more than the annual required contribution to the trust, a 7.00% discount rate was used to determine the expense. This rate represents the expected long-term rate of return on the Trust.

Below is a summary of the calculation of the discount rate determination under the funding policy. The funding policy is determined using the expected long term rate of return on the trust which is 7.00%.

Discount rate determination	
a Actuarial accrued liability	\$ 3,833,000
b Assets	\$ 4,984,568
c Funded percentage (a/b)	130%
Discount rate $[7.00\% \times c] + [4.00\% \times (1-c)]$	7.00%

Net OPEB Liability

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability(asset) of the plan, calculated using the current discount rate, as well as what the net OPEB liability(asset) would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

System	1% Decrease to 6.00%	Current Discount Rate 7.00%	1% Increase to 8.00%
Net OPEB liability / (asset)	\$ (1,004,890)	\$ (1,780,162)	\$ (2,391,448)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Sensitivity of the net OPEB liability to changes in the trend rate

The following presents the net OPEB liability(asset) of the plan, calculated using the current health care trend rate, as well as what the net OPEB liability(asset) would be if it were calculated using a health care trend rate that is 1% point lower or 1% point higher:

System	1% Decrease to 4.00%	Current Medical Trend 5.00%	1% Increase to 6.00%
Net OPEB liability / (asset)	\$ (2,434,874)	\$ (1,780,162)	\$ (934,533)

Changes in the net OPEB liability(asset) are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(asset) (a) - (b)
Measurement date, June 30, 2016	\$ 3,833,238	\$ 4,984,568	\$ (1,151,330)
Changes for the Year:			
Service cost	124,566	-	124,566
Interest	265,082	-	265,082
Changes of benefit terms	-	-	-
Experience losses / gains	(18,041)	-	(18,041)
Trust contributions - employer	-	353,521	(353,521)
Net investment income	-	670,503	(670,503)
Changes in assumptions	-	-	-
Benefit payments (net of retiree contributions)	(92,694)	(92,694)	-
Administrative expense	-	(23,585)	23,585
Net Changes	278,913	907,745	(628,832)
Measurement date, June 30, 2017	\$ 4,112,151	\$ 5,892,313	\$ (1,780,162)

Plan fiduciary net position as a % of total OPEB liability

143%

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

OPEB Expense

The amount of OPEB expense recognized in the reporting period is as follows:

Service cost	\$ 124,566
Interest	265,082
Projected earnings on OPEB trust	(357,224)
OPEB administrative expense	23,585
Changes in benefit terms	-
Differences between expected and actual earnings	(62,656)
Differences between expected and actual experience	(2,255)
Changes of assumptions	-
	<u>(8,902)</u>
Year end June 30, 2018 contributions	-
Total pension expense	<u>\$ (8,902)</u>

Deferred Inflow/Outflow Summary

The deferred outflows / inflows are as follows:

	Deferred Outflows	Deferred Inflows
June 30, 2017	\$ -	\$ -
Year end June 30, 2017 contributions	-	-
Differences between expected and actual experience	-	(18,041)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(313,279)
Amortization of items allowed by GASB 75	-	64,911
Year end June 30, 2018 contributions	-	-
June 30, 2018	<u>\$ -</u>	<u>\$ (266,409)</u>

Net deferred outflows / (inflows) will be amortized as follows:

<u>Year ended June 30:</u>	
2019	\$ (64,911)
2020	(64,911)
2021	(64,911)
2022	(64,910)
2023	(2,255)
Thereafter	<u>(4,511)</u>
Total	<u>\$ (266,409)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Board of Education of Caroline County

Plan Description

The Board administers a single employer defined benefit plan, The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the “Plan”), that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees, their spouses and eligible dependents. The Plan does not issue a publicly available financial report.

Plan Administration

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the “Trust”) in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and the other nine members a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, and benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of the governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its members for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective financial statements 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, if available. 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 an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the MABE Trust. This 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.

Plan Membership

At July 1, 2016 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	349
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
<u>Active plan members</u>	<u>684</u>
<u>Total</u>	<u>1,033</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Benefits Provided

The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, their spouses and eligible dependents. The benefits provided are the same as those provided to active employees. Retirees receive a subsidy for their post-retirement medical insurance based on the years of service with the Board. Retirees with at least 5 years of service receive a subsidy based on 90% of the single rate prior to age 65. Retirees with less than 15 years of service receive no employer subsidy after attaining age 65. After attaining age 65, retirees with at least 15 years of service receive a subsidy of up to 100% of the pre-Medicare subsidy amount. There is no explicit subsidy for dependents or surviving spouses, although they are allowed access to the plan and pay 100% of the costs. There is no subsidy for dental premiums once the participant reaches Medicare age.

Participants must meet the eligibility requirements of the Maryland State Teachers’/Employees’ pension system (EPS). For members hired before July 1, 2011, the earliest retirement eligibility is age 55 with 15 years of service, age 62 with 5 years of service, age 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. For members hired after July 1, 2011, the earliest eligibility is age 60 with 15 years of service, age 65 with 10 years of service, or age plus service is at least 90 (Rule of 90). Participants must also have at least 5 years of service in Caroline County (15 years of service if hired after 7/1/2013). Disability health benefits require the participant meet the retirement eligibility requirements noted above or have 5 years of service (15 years if hired after 7/1/2013). The disability benefit is until age 65 unless the retirement eligibility requirements above are met. Eligible spouses and dependents must be enrolled in the plan immediately prior to the retiree’s effective date of retirement to receive coverage.

Contributions

The employer’s contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon annual approval of the operating budget.

Investment Policy

The MABE Trust’s policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with volatility of a comparable market index. The MABE Trust’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Equity	61.00%
Fixed income	29.60%
Cash	9.40%
Total	100.00%

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Rate of Return

Best estimates of real rates of return for each major asset class included in the target asset allocations as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.97%
Fixed income	4.00%
Cash	2.60%

For the year ended June 30, 2018, the total rate of return, net of investment expense, was 6.84%. The total rate of return represents a hypothetical return on capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to the June 30, 2018 measurement date. The methods, assumptions, and participant data used are detailed in the fiscal year 2017 GASB 45 actuarial valuation report dated September 25, 2017 with the exception of the actuarial cost method and the discount rate. These calculations are based on the entry age normal cost method as required by GASB 74 and GASB 75. The entry age normal actuarial cost method requires a salary scale assumption. The State of Maryland Teachers' Pension salary assumption was used. The discount rate used to determine liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate was 3.58% as of June 30, 2017 and 3.62% as of June 30, 2018.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Actuarial Assumptions

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

Significant valuation methods and assumptions are as follows:

Valuation date	July 1, 2016
Actuarial cost method - GASB 74 and 75	Entry age normal
Amortization method	Closed, level percentage of payroll
Remaining amortization period	22 years (as of July 1, 2016)
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount rate - June 30, 2017	3.58%
Discount rate - June 30, 2018	3.62%
Investment rate of return	7.00%
Payroll increases	3.50%
Inflation rate	2.30%
Medical trend	Based on Society of Actuaries Long Term Medical Trend Model, the 2016 rate is 6.0% decreasing gradually. The post Medicare rate in 2050 is 4.9%. The ultimate post Medicare trend rate is 3.9% and is attained in 2075.
Mortality	The mortality rates for healthy retirees was calculated using the RP 2000 Combined Healthy Table, sex distinct, fully generational with Scale AA. The mortality rates for disabled retirees was calculated using the RP 2000 Combined Healthy Table, with base qx set forward three years for both males and females, fully generational with Scale AA.

The long-term expected rate of return on OPEB 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 OPEB 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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued)

Actuarial Assumptions (continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 20-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 3.62 percent as of June 30, 2018. This rate has been adjusted from 3.58 percent as of June 30, 2017.

Change in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2017	\$ 116,139,269	\$ 1,130,461	\$ 115,008,808
Changes for the Year			
Service Cost	5,201,246	-	5,201,246
Interest	4,096,803	-	4,096,803
Changes of Benefit Terms	-	-	-
Esperience Losses/Gains	-	-	-
Trust Contributions - Employer	-	3,406,860	(3,406,860)
Net Investment Income	-	83,935	(83,935)
Changes in Assumptions	(796,367)	-	(796,367)
Benefit Payments (net of retiree contributions)	(3,406,859)	(3,406,859)	-
Administrative Expense	-	(5,958)	5,958
Net Changes	5,094,823	77,978	5,016,845
Balance as of June 30, 2018	\$ 121,234,092	\$ 1,208,439	\$ 120,025,653

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1 % Decrease to 2.62 %	Current Discount Rate 3.62 %	1 % Increase to 4.62 %
Board of Education	\$ 142,237,255	\$ 120,025,653	\$ 102,223,246

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Other postemployment benefits (continued))

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

System	1 % Decrease to 2.90 %	Current Medical Trend 3.90 %	1 % Increase to 4.90 %
Board of Education	\$ 97,526,169	\$ 120,025,653	\$ 149,874,794

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Board will recognize OPEB expense in the amount of \$9,089,597 on the government-wide statements. At June 30, 2018, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 707,882
Net difference between projected and actual investment earnings	-	4,010
Differences between expected and actual experience	-	-
Board's contributions subsequent to measurement date	46,000	-
Total	\$ 46,000	\$ 711,892

The \$46,000 of deferred outflows of resources resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The deferred inflows and outflows related to non-investment activity are being amortized over nine years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year Ending June 30,	Deferred Outflows	Deferred Inflows
2019	\$ -	\$ (89,487)
2020	-	(89,487)
2021	-	(89,487)
2022	-	(89,489)
2023	-	(88,485)
Thereafter	-	(265,457)
	\$ -	\$ (711,892)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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			Totals
	Employees' Pension Plan	OPEB Trust	Retiree Health Care	
ASSETS:				
Cash and cash equivalents	\$ 380,863	\$ 164,753	\$ -	\$ 545,616
Investments at fair value:				
Fixed income	6,353,395	1,961,654	-	8,315,049
Equity funds	17,254,815	4,089,193	-	21,344,008
Other	-	62,250	-	62,250
Total investments at fair value	23,608,210	6,113,097	-	29,721,307
Due from other funds	-	-	-	-
Total assets	23,989,073	6,277,850	-	30,266,923
NET POSITION:				
Held in trust for participants	\$ 23,989,073	\$ 6,277,850	\$ -	\$ 30,266,923
Additions:				
Contributions:				
Plan sponsor	\$ 1,090,000	\$ -	\$ -	\$ 1,090,000
Employee	196,950	-	-	196,950
Gains	1,143,865	148,441	-	1,292,306
Interest and dividends	567,952	267,957	50	835,959
Total additions	2,998,767	416,398	50	3,415,215
Deductions:				
Benefits paid	1,497,724	10,000	-	1,507,724
Losses	-	-	-	-
Transfers (in) out	-	-	14,442	14,442
Administrative fees	90,984	20,861	-	111,845
Total deductions	1,588,708	30,861	14,442	1,634,011
Change in net position	1,410,059	385,537	(14,392)	1,781,204
Net position, beginning of year	22,579,014	5,892,313	14,392	28,485,719
Net position, end of year	\$ 23,989,073	\$ 6,277,850	\$ -	\$ 30,266,923

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Leases

County

Capital lease - Capital lease obligations at June 30, 2018 consist of the following:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>
Motorola Radio lease, interest at 3.22%; payable in annual installments of \$450,392, including interest through 2026	\$ 3,471,097	\$ -	\$ 338,623	\$ 3,132,474
	<u>\$ 3,471,097</u>	<u>\$ -</u>	<u>\$ 338,623</u>	<u>\$ 3,132,474</u>

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

<u>Fiscal Year Ending June 30</u>	
2019	\$ 450,392
2020	450,392
2021	450,392
2022	450,392
2023	450,392
2024 - 2026	1,351,174
	<u>3,603,134</u>
Less amounts representing interest	470,660
Present value of net minimum lease payments	<u>\$ 3,132,474</u>

Interest expense on the above capital lease was approximately \$112,000 for the year ended June 30, 2018.

The cost of items acquired under capital lease arrangements, as included in capital assets totaled \$4,299,156 and the related accumulated depreciation was \$854,319 at June 30, 2018.

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, 2018 totaled approximately \$40,000. These leases expire at various dates through 2022.

At June 30, 2018, the County has contractual agreements requiring approximately the following annual rental payments:

<u>Fiscal Year Ending June 30</u>	
2019	\$ 36,000
2020	29,000
2021	20,000
2022	18,000
2023	-

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 were \$13,704.

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

<u>Fiscal Year Ending June 30</u>	
2019	\$ 13,704
2020	13,704
2021	13,704
2022	13,704
2023	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, 2018 consist of the following:

	June 30, 2017	Additions	Payments	June 30, 2018
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017	\$ 45,981	\$ -	\$ 45,981	\$ -
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025	2,130,854	-	203,717	1,927,137
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	1,532,929	-	66,198	1,466,731
Vehicles, bank, interest at 2.5%; payable in annual installments of approximately \$90,000, including interest through 2020	-	257,974	83,871	174,103
	\$ 3,709,764	\$ 257,974	\$ 399,767	\$ 3,567,971

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Leases (continued)

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

<u>Fiscal Year Ending June 30</u>		
2019	\$	519,488
2020		633,096
2021		564,665
2022		587,926
2023		611,687
2024 - 2028		904,189
2029 - 2030		344,637
		4,165,688
Less amounts representing interest		597,717
Present value of net minimum lease payments	\$	3,567,971

Interest expense on the above capital leases was approximately \$137,000 for the year ended June 30, 2018.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$4,722,014 and the related accumulated depreciation was \$760,186 at June 30, 2018.

Operating lease - The Board leases administrative copy machines, computer equipment, and office space over terms ranging from three to five years.

Approximate future minimum lease commitments are as follows:

<u>Fiscal Year Ending June 30</u>		
2019	\$	362,383
2020		293,745
2021		259,442
2022		-
2023		-

Rent expense under these leases totaled approximately \$571,000 for the year ended June 30, 2018.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

As a component unit of Caroline County, the Library is eligible for coverage and participates in the LGIT.

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 Board 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. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the Pool) was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988. The Board pays an annual premium to the Pool that is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims that exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The Board 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 ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of February 8, 2018, the Board's funds held by ESMEC exceeded the recommended reserve by \$1,038,464. All funds held by ESMEC are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 13. Joint Venture - Landfill closure and post closure 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 23.80% 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.

Total closure and post closure costs for the landfills are \$18.6 million, with approximately \$4.4 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 \$5.1 million as of June 30, 2018, 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 \$18.7 million. As of June 30, 2018, \$4.5 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, 2017. MES expects to satisfy these requirements as of June 30, 2018 using the same criteria.

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

The Board has active school construction projects as of June 30, 2018. On these projects, at June 30, 2018 the Board had \$0 expenditures to date and \$2,522,230 in remaining commitments with contractors.

Note 15. Required fund disclosures

The following funds had expenditures exceed budgeted amounts.

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
4-H park	\$ 41,309	\$	57,515	\$	(16,206)
OJP grant law enforcement	45,006		56,431		(11,425)
Local agricultural land preservation	10,000		29,500		(19,500)
Summerfest fund	42,200		48,470		(6,270)
Emergency management grant	100,292		134,890		(34,598)
Drug task force	45,400		114,203		(68,803)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Prior Period Restatement

During fiscal year 2018, the County and Board implemented Governmental Accounting Standard Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and in accordance, has applied its effects retrospectively. The statement's objective is to improve the accounting and financial reporting for postemployment benefits other than pensions (OPEB) as well as improve the information provided by employers about financial support for OPEB (see Note 9).

The following table is a summary of the effects of these changes on net position as of June 30, 2017.

	<u>County</u> Governmental Activities Net Position	<u>Board of Education</u> Governmental Activities Net Position
As previously reported	\$ 37,140,295	\$ 43,922,593
<u>Adjustment to net OPEB liability</u>	<u>(1,385,521)</u>	<u>(71,012,319)</u>
<u>As restated</u>	<u>\$ 35,754,774</u>	<u>\$ (27,089,726)</u>



Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	<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	\$ 25,111,871	\$ 25,111,871	\$ 25,135,134	\$ 23,263
Penalties, interest and fees	275,000	275,000	218,734	(56,266)
Total taxes - property	25,386,871	25,386,871	25,353,868	(33,003)
Taxes – income	12,900,000	12,900,000	13,870,004	970,004
Taxes – other local:				
Recordation	1,600,000	1,600,000	1,858,080	258,080
Franchise tax	164,000	164,000	183,527	19,527
Mobile home	70,000	70,000	73,469	3,469
Total taxes – other local	1,834,000	1,834,000	2,115,076	281,076
Taxes – state-shared:				
Highway users	578,310	578,310	578,146	(164)
Licenses and permits:				
Liquor	54,000	54,000	52,716	(1,284)
Traders license	21,000	21,000	23,596	2,596
Building permits	115,000	115,000	102,141	(12,859)
Other	10,500	10,500	9,260	(1,240)
Total licenses and permits	200,500	200,500	187,713	(12,787)
Intergovernmental revenue:				
Grants from federal government:				
Emergency management	71,800	71,800	71,593	(207)
Incremental grant	100,000	100,000	-	(100,000)
Other federal grants	3,000	3,000	7,824	4,824
Total grants from federal government	174,800	174,800	79,417	(95,383)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2018

	<u>Original</u> <u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>Revenues</u> (continued):				
Grants from state government:				
Equity grant	\$ 2,131,782	\$ 2,131,782	\$ 2,131,782	\$ -
Teacher retirement supplement	685,108	685,108	685,108	-
Police protection	153,417	153,417	162,281	8,864
Family services grant	152,055	152,055	137,450	(14,605)
Juvenile Drug Court	88,132	88,132	82,537	(5,595)
Fire companies	309,420	309,420	312,660	3,240
Other	19,000	19,000	93,671	74,671
Total grants from state government	3,538,914	3,538,914	3,605,489	66,575
Other Grants:				
School Resource Officer Grant	129,723	129,723	140,252	10,529
SRO full time	111,449	111,449	110,636	(813)
Total other grants	241,172	241,172	250,888	9,716
Charges for services:				
General government	100,500	100,500	118,250	17,750
Public safety	385,550	385,550	405,800	20,250
Public works	172,500	172,500	202,734	30,234
Recreation charges	52,400	52,400	56,117	3,717
Weed control	22,000	22,000	13,979	(8,021)
Total charges for services	732,950	732,950	796,880	63,930
Miscellaneous revenues:				
Interest	20,000	20,000	164,596	144,596
Rents	43,284	43,284	54,174	10,890
Other	-	-	1,240	1,240
Municipal infrastructure	-	-	15,000	15,000
Total miscellaneous revenues	63,284	63,284	235,010	171,726
Total revenues - General Fund	\$ 45,650,801	\$ 45,650,801	\$ 47,072,491	\$ 1,421,690

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>Expenditures:</u>				
General government:				
County commissioners	\$ 657,895	\$ 657,895	\$ 650,712	\$ (7,183)
Ethics commission	200	200	93	(107)
Judicial:				
Juvenile Drug Court	88,132	88,132	82,428	(5,704)
Family services grant	152,055	152,055	137,714	(14,341)
Circuit Court	336,310	336,310	280,737	(55,573)
Orphan's Court	18,837	18,837	18,364	(473)
State's attorney	757,265	757,265	745,941	(11,324)
Total judicial	1,352,599	1,352,599	1,265,184	(87,415)
Elections	456,164	456,164	394,302	(61,862)
State department of assessments	153,680	153,680	153,186	(494)
Tax Office	324,632	324,632	313,996	(10,636)
Office of Finance	440,502	440,502	442,511	2,009
Legal services	192,029	192,029	185,803	(6,226)
Office of Human Resources	483,192	483,192	439,628	(43,564)
Planning and codes administration	897,712	897,712	848,039	(49,673)
General services	153,000	153,000	190,517	37,517
Agency reimburseable	-	-	4,614	4,614
Town planning grants	12,500	12,500	12,500	-
Office of Technology	421,238	421,238	409,941	(11,297)
Total general government	5,545,343	5,545,343	5,311,026	(234,317)
Public safety:				
Sheriff's department	3,258,450	3,258,450	3,110,227	(148,223)
Courthouse security	296,260	296,260	305,540	9,280
School Resource Officer	172,964	172,964	182,037	9,073
Adult offender Comm. Service	32,611	32,611	14,314	(18,297)
SRO full time	111,449	111,449	107,625	(3,824)
Fire protection	1,731,625	1,731,625	1,733,848	2,223
Corrections	3,844,910	3,844,910	3,630,327	(214,583)
Emergency Services - admin.	243,233	243,233	237,301	(5,932)
Emergency Services - comm.	1,027,696	1,027,696	982,939	(44,757)
Emergency Services - services	2,867,267	2,867,267	2,739,236	(128,031)
Emergency Services - risk mgmt.	131,191	131,191	175,583	44,392
Animal control	365,085	365,085	370,750	5,665
Liquor licensing	70,938	70,938	52,783	(18,155)
Total public safety	14,153,679	14,153,679	13,642,510	(511,169)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2018

	Original <u>Budget</u>	Final Budget	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>Expenditures (continued):</u>				
Public works:				
Administration	\$ 314,181	\$ 314,181	\$ 274,989	\$ (39,192)
Central shop	658,286	658,286	683,341	25,055
Solid waste disposal	224,275	224,275	253,441	29,166
Johnsongrass	80,948	80,948	81,090	142
Mosquito control	60,761	60,761	65,774	5,013
Roads	1,601,236	1,601,236	1,517,564	(83,672)
County buildings	598,071	598,071	661,763	63,692
Total public works	3,537,758	3,537,758	3,537,962	204
Health:				
Health Department	377,903	377,903	377,903	-
Other	91,130	91,130	91,111	(19)
Total health	469,033	469,033	469,014	(19)
Social services	217,228	217,228	216,853	(375)
Education:				
Primary education	14,204,725	14,204,725	14,204,725	-
Chesapeake College	1,625,341	1,625,341	1,625,341	-
Total education	15,830,066	15,830,066	15,830,066	-
Public library	1,176,153	1,176,153	1,176,153	-
Recreation and parks	966,682	966,682	954,794	(11,888)
Arts	5,000	5,000	5,000	-
Conservation of natural resources	139,104	139,104	139,104	-
Interfaith housing	6,000	6,000	6,000	-
Economic development	108,842	108,842	108,842	-
Contingency	369,128	369,128	218,885	(150,243)
Debt service:				
Principal	2,575,164	2,575,164	2,664,561	89,397
Interest	1,004,492	1,004,492	1,012,561	8,069
Total debt service	3,579,656	3,579,656	3,677,122	97,466
Total expenditures – General Fund	46,103,672	46,103,672	45,293,331	(810,341)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2018

	<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	911,000	911,000	1,114,274	(203,274)
Recreation programs	2,500	2,500	2,500	-
LOSAP	-	-	14,442	(14,442)
Transfer out to:				
4-H park	(23,879)	(23,879)	(40,193)	16,314
Capital improvements	(500,000)	(500,000)	(1,916,676)	1,416,676
Jonestown water system	(11,750)	(11,750)	-	(11,750)
<hr/>				
Total other financing sources (uses) – General Fund	452,871	452,871	(825,653)	1,278,524
<hr/>				
Total expenditures and other financing sources (uses)	45,650,801	45,650,801	46,118,984	468,183
<hr/>				
Net change in fund balances	\$ -	\$ -	\$ 953,507	\$ 953,507

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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, 2018.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)
JUNE 30, 2018

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion of the Share 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)
June 30, 2014	0.018077%	\$ 3,207,990	\$ 1,307,560	245%	\$ 45,339,988,000	\$ 63,086,719,000	72%
June 30, 2015	0.020072%	\$ 4,171,221	\$ 1,362,323	306%	\$ 45,789,840,000	\$ 66,571,552,000	69%
June 30, 2016	0.024229%	\$ 5,716,633	\$ 1,455,966	393%	\$ 45,365,927,000	\$ 68,959,954,000	66%
June 30, 2017	0.023862%	\$ 5,159,868	\$ 1,527,583	338%	\$ 48,987,184,000	\$ 70,610,885,000	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
SCHEDULE OF CONTRIBUTIONS (as of fiscal year end)
JUNE 30, 2018

Fiscal Year	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	\$ 421,248	\$ 421,248	\$ -	\$ 1,362,323	31%
2016	\$ 423,055	\$ 423,055	\$ -	\$ 1,455,966	29%
2017	\$ 472,004	\$ 472,004	\$ -	\$ 1,527,583	31%
2018	\$ 485,675	\$ 485,675	\$ -	\$ 1,543,887	31%

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
ACTUARIAL ASSUMPTIONS - PENSION PLAN
JUNE 30, 2018

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2016 actuarial valuation: 25-year closed schedule ending June 30, 2039; 22 years remaining. In the 2017 actuarial valuation: 25-year closed schedule ending June 30, 2039; 21 years remaining.
Asset Valuation Model	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20% including inflation. In the 2017 actuarial valuation, 3.15% to 9.15% including inflation.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to the 2015 Experience Study of the period July 1, 2010 to June 30, 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 2-dimensional mortality improvement scale.

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED NOTES (as of measurement date)
 June 30, 2018

MEASUREMENT DATE	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Total Pension liability											
Service cost	\$ 420,374	\$ 527,053	\$ 566,730	\$ 539,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,805,632	1,710,004	1,680,059	1,601,310	-	-	-	-	-	-	-
Changes of benefit terms	279,510	-	(440,525)	(499,533)	-	-	-	-	-	-	-
Differences between expected and actual experience	76,356	439,130	-	-	-	-	-	-	-	-	-
Changes of assumptions	160,504	155,794	-	729,440	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(1,384,557)	(1,272,334)	(1,186,533)	(1,382,453)	-	-	-	-	-	-	-
Net change in total pension liability	1,357,819	1,559,647	619,731	988,226	-	-	-	-	-	-	-
Total pension liability - beginning	25,945,872	24,386,225	23,766,494	22,778,268	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 27,303,691	\$ 25,945,872	\$ 24,386,225	\$ 23,766,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position											
Contributions - employer	\$ 1,048,518	\$ 2,143,000	\$ 1,122,871	\$ 1,091,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	155,812	115,267	74,503	35,137	-	-	-	-	-	-	-
Net investment income	2,395,296	128,786	638,387	2,505,358	-	-	-	-	-	-	-
Benefits payments, including refunds of members contributions	(1,384,557)	(1,272,334)	(1,186,533)	(1,382,453)	-	-	-	-	-	-	-
Administrative expense	-	-	(3,280)	(31,959)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,215,069	1,114,719	645,948	2,217,083	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	20,363,944	19,249,225	18,603,277	16,386,194	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 22,579,013	\$ 20,363,944	\$ 19,249,225	\$ 18,603,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's net pension liability - ending (a)-(b)	\$ 4,724,678	\$ 5,581,928	\$ 5,137,000	\$ 5,163,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	83%	78%	79%	78%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll, as of measurement date	\$ 7,045,906	\$ 7,091,152	\$ 7,048,232	\$ 6,962,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	67%	79%	73%	74%	0%	0%	0%	0%	0%	0%	0%
Expected average remaining service year:	6	7	7	7	-	-	-	-	-	-	-

Notes to schedule:

Benefit changes:

Effective 7/1/16, the plan provided a one-time COLA for participants who were in receipt of a benefit on or before July 1, 2016.

Changes of assumptions:

For FY2016, the discount rate and investment rate of return was lowered to 7.20% from 7.25%.

For FY2017, the discount rate and investment rate of return was lowered to 7.15% from 7.20%.

Information for 2013 and earlier is not available

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS (as of fiscal year end)
 June 30, 2018

FISCAL YEAR	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 815,360	\$ 858,125	\$ 901,900	\$ 1,004,915	\$ 1,166,835	\$ 1,121,819	\$ 934,567	\$ 788,301	\$ 998,878	\$ 1,007,677
Contributions in relation to the actuarially determined contribution	1,048,518	2,143,000	1,122,871	1,091,000	1,166,000	875,000	775,000	788,000	1,586,832	1,500,000
Contribution deficiency (excess)	\$ (233,158)	\$ (1,284,875)	\$ (220,971)	\$ (86,085)	\$ 835	\$ 246,819	\$ 159,567	\$ 301	\$ (587,954)	\$ (492,323)
Covered employee payroll	\$ 7,802,787	\$ 7,045,906	\$ 7,091,152	\$ 7,048,232	\$ 6,962,170	\$ 7,018,323	\$ 7,060,145	\$ 7,101,829	\$ 7,937,968	\$ 9,323,986
Contributions as a percentage of covered employee payroll	13%	30%	16%	15%	17%	12%	11%	11%	20%	16%

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 10 to 20 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	7.15 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
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (as of measurement date)
June 30, 2018

MEASUREMENT DATE	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Total OPEB liability										
Service cost	\$ 124,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest cost	265,082	-	-	-	-	-	-	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(18,041)	-	-	-	-	-	-	-	-	-
Change of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments	(92,694)	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	278,913	-	-	-	-	-	-	-	-	-
Total OPEB liability - beginning	3,833,238	-	-	-	-	-	-	-	-	-
Total OPEB liability - ending (a)	\$ 4,112,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 353,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	670,503	-	-	-	-	-	-	-	-	-
Benefit payments (net of retiree contributions)	(92,694)	-	-	-	-	-	-	-	-	-
Administrative expense	(23,585)	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	907,745	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	4,984,586	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 5,892,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's net OPEB liability - ending (a)-(b)	\$ (1,780,180)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a % of total OPEB liability	143.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll, as of measurement date	\$ 7,045,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a % of payroll	-25.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participant	8	-	-	-	-	-	-	-	-	-

Notes to Schedule:

Benefit changes:

NONE

Changes of assumptions:

June 30, 2016 discount rate is 7.00%

June 30, 2017 discount rate is 7.00%

Information for 2016 and earlier is not available

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF ACTUAL CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (as of measurement date)
June 30, 2018

Fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 815,360	\$ 858,125	\$ 901,900	\$ 1,004,915	\$ 1,166,835	\$ 1,121,819	\$ 934,567	\$ 788,301	\$ 998,878	\$ 1,007,677
Contributions in relation to the										
Actuarially determined contribution	1,048,518	2,143,000	1,122,871	1,091,000	1,166,000	875,000	775,000	788,000	1,586,832	1,500,000
Contribution deficiency (excess)	\$ (233,158)	\$ (1,284,875)	\$ (220,971)	\$ (86,085)	\$ 835	\$ 246,819	\$ 159,567	\$ 301	\$ (587,954)	\$ (492,323)
Covered-employee payroll	\$ 7,802,787	\$ 7,045,906	\$ 7,091,152	\$ 7,048,232	\$ 6,962,170	\$ 7,018,323	\$ 7,060,145	\$ 7,101,829	\$ 7,937,968	\$ 9,323,986
Contributions as a percentage of covered employee payroll	13.44%	30.41%	15.83%	15.48%	16.75%	12.47%	10.98%	11.10%	19.99%	16.09%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	Remaining amortization periods range from 10 to 20 year:
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	7.15 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



Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2018

Special Revenue Funds

	Jonestown Water System	4-H Park	Special Grants Fund	OJP Grants Law Enforcement	CDBG	Revolving Loan Fund	MEAF Revolving Loan
<u>ASSETS:</u>							
Cash and cash equivalents	\$ 806	\$ 510	\$ -	\$ 92	\$ -	\$ 122,233	\$ 151,626
Accounts receivable	-	-	34,056	7,793	8,124	88,045	4,607
Due from other funds	-	-	1,592	5,030	-	-	-
Other assets	-	-	-	1,869	-	-	-
Total assets	\$ 806	\$ 510	\$ 35,648	\$ 14,784	\$ 8,124	\$ 210,278	\$ 156,233
<u>LIABILITIES AND FUND BALANCES:</u>							
Liabilities:							
Accounts payable	\$ 623	\$ 3,363	\$ 30,979	\$ 5,484	\$ 8,124	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	10,677	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	2,629	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	11,300	3,363	30,979	8,113	8,124	-	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	4,669	6,671	-	210,278	156,233
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	(10,494)	(2,853)	-	-	-	-	-
Total fund balances (deficit)	(10,494)	(2,853)	4,669	6,671	-	210,278	156,233
Total liabilities and fund balances	\$ 806	\$ 510	\$ 35,648	\$ 14,784	\$ 8,124	\$ 210,278	\$ 156,233

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	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	\$ -	\$ 91,269	\$ 35,700	\$ 8,429	\$ 24,032	\$ 8,024	\$ 12,790
Accounts receivable	-	-	-	-	-	1,538	569
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	2,317	-	-
Total assets	\$ -	\$ 91,269	\$ 35,700	\$ 8,429	\$ 26,349	\$ 9,562	\$ 13,359
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	\$ 3,714	\$ -	\$ -	\$ 180	\$ 3,885	\$ 310
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	931
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	23,546	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	3,714	-	-	23,726	3,885	1,241
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	87,555	-	-	-	5,677	12,118
Committed	-	-	35,700	8,429	-	-	-
Assigned	-	-	-	-	2,623	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	-	87,555	35,700	8,429	2,623	5,677	12,118
Total liabilities and fund balances	\$ -	\$ 91,269	\$ 35,700	\$ 8,429	\$ 26,349	\$ 9,562	\$ 13,359

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds						
	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical Transportation
ASSETS:							
Cash and cash equivalents	\$ 35,275	\$ 23,533	\$ -	\$ 57,941	\$ 319,696	\$ -	\$ -
Accounts receivable	-	-	103,783	-	-	-	-
Due from other funds	-	-	-	-	648	-	-
Other assets	-	-	-	-	-	-	-
Total assets	\$ 35,275	\$ 23,533	\$ 103,783	\$ 57,941	\$ 320,344	\$ -	\$ -
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 27,489	\$ 130	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	75,201	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	2,224	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	104,914	130	-	-	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	35,275	23,533	-	-	-	-	-
Assigned	-	-	-	57,811	320,344	-	-
Unassigned	-	-	(1,131)	-	-	-	-
Total fund balances (deficit)	35,275	23,533	(1,131)	57,811	320,344	-	-
Total liabilities and fund balances	\$ 35,275	\$ 23,533	\$ 103,783	\$ 57,941	\$ 320,344	\$ -	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds		Capital Projects Fund		Totals
	Drug Task Force	Dayspring Townhomes	Educational Facilities		
ASSETS:					
Cash and cash equivalents	\$ 125,889	\$ 12,884	\$ 464,163	\$	1,494,892
Accounts receivable	-	12,170	-		260,685
Due from other funds	-	-	-		7,270
Other assets	-	680,520	-		684,706
Total assets	\$ 125,889	\$ 705,574	\$ 464,163	\$	2,447,553
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 507	\$ 30,824	\$ -	\$	115,612
Accrued expenses	-	-	-		-
Due to other funds	4,466	-	-		91,275
Due to other governments	-	-	-		-
Unearned revenues	-	-	-		28,399
Other liabilities	-	26,156	-		26,156
Total liabilities	4,973	56,980	-		261,442
Fund balances:					
Non-spendable	-	-	-		-
Restricted	120,916	648,594	-		1,252,711
Committed	-	-	464,163		567,100
Assigned	-	-	-		380,778
Unassigned	-	-	-		(14,478)
Total fund balances (deficit)	120,916	648,594	464,163		2,186,111
Total liabilities and fund balances	\$ 125,889	\$ 705,574	\$ 464,163	\$	2,447,553

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED June 30, 2018

	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	-	-	148,930	57,683	8,124	-	-
Charges for services	16,296	-	-	-	-	-	-
Miscellaneous revenues	-	18,447	-	-	-	3,062	438
Total revenues	16,296	18,447	148,930	57,683	8,124	3,062	438
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	56,431	-	-	-
Public works	14,527	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Recreation and culture	-	57,515	-	-	-	-	-
Economic development	-	-	148,930	-	8,124	-	-
Total expenditures	14,527	57,515	148,930	56,431	8,124	-	-
Excess (deficiency) of revenues over expenditures	1,769	(39,068)	-	1,252	-	3,062	438
Other financing sources (uses):							
Transfers in (out)	-	40,193	-	-	-	-	-
Total other financing sources (uses)	-	40,193	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,769	1,125	-	1,252	-	3,062	438
Fund balances (deficit), beginning	(12,263)	(3,978)	4,669	5,419	-	207,216	155,795
Fund balances (deficit), ending	\$ (10,494)	\$ (2,853)	\$ 4,669	\$ 6,671	\$ -	\$ 210,278	\$ 156,233

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2018

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
Revenues:							
Taxes	\$ -	\$ -	\$ 19,600	\$ 2,224	\$ -	\$ -	\$ -
Licenses and permits	69	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous revenues	-	109,688	-	-	46,233	77,977	16,508
Total revenues	69	109,688	19,600	2,224	46,233	77,977	16,508
Expenditures:							
General government	-	-	29,500	2,109	-	-	3,947
Public safety	69	42,709	-	-	-	84,325	-
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	48,470	-	-
Economic development	-	-	-	-	-	-	-
Total expenditures	69	42,709	29,500	2,109	48,470	84,325	3,947
Excess (deficiency) of revenues over expenditures	-	66,979	(9,900)	115	(2,237)	(6,348)	12,561
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	-	66,979	(9,900)	115	(2,237)	(6,348)	12,561
Fund balances (deficit), beginning	-	20,576	45,600	8,314	4,860	12,025	(443)
Fund balances (deficit), ending	\$ -	\$ 87,555	\$ 35,700	\$ 8,429	\$ 2,623	\$ 5,677	\$ 12,118

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2018

	Special Revenue Funds						
	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical Transportation
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	134,889	-	-	-	274,464
Charges for services	-	-	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	1,813	-	-
Total revenues	-	-	134,889	-	1,813	-	274,464
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	134,890	-	-	-	-
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	32,510	-	-
Recreation and culture	-	-	-	-	-	-	-
Economic development	-	-	-	1,413	-	-	-
Total expenditures	-	-	134,890	1,413	32,510	-	-
Excess (deficiency) of revenues over expenditures	-	-	(1)	(1,413)	(30,697)	-	274,464
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	(274,464)
Total other financing sources (uses)	-	-	-	-	-	-	(274,464)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	(1)	(1,413)	(30,697)	-	-
Fund balances (deficit), beginning	35,275	23,533	(1,130)	59,224	351,041	-	-
Fund balances (deficit), ending	\$ 35,275	\$ 23,533	\$ (1,131)	\$ 57,811	\$ 320,344	\$ -	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2018

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
	Drug Task Force	Dayspring Townhomes	Educational Facilities	Totals
Revenues:				
Taxes	\$ -	\$ -	\$ 152,416	\$ 174,240
Licenses and permits	-	-	-	69
Intergovernmental revenues	-	-	-	624,090
Charges for services	-	-	-	16,296
Miscellaneous revenues	59,198	304,239	-	637,603
Total revenues	59,198	304,239	152,416	1,452,298
Expenditures:				
General government	-	300,790	-	336,346
Public safety	114,203	-	-	432,627
Public works	-	-	-	14,527
Health	-	-	-	32,510
Recreation and culture	-	-	-	105,985
Economic development	-	-	-	158,467
Total expenditures	114,203	300,790	-	1,080,462
Excess (deficiency) of revenues over expenditures	(55,005)	3,449	152,416	371,836
Other financing sources (uses):				
Transfers in (out)	-	-	-	(234,271)
Total other financing sources (uses)	-	-	-	(234,271)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(55,005)	3,449	152,416	137,565
Fund balances (deficit), beginning	175,921	645,145	311,747	2,048,546
Fund balances (deficit), ending	\$ 120,916	\$ 648,594	\$ 464,163	\$ 2,186,111

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2018

	AGENCY										
	State Property Tax Fund	Town Property Tax Fund	DMV Tag Sales Fund	Hotel Rental Tax	Tax Sale Proceeds Fund	Inmate Account	Confiscated Properties Fund	Bay Restoration Fund	Public Drainage Association	Home Builder Guaranty Fund	Totals
ASSETS:											
Cash and cash equivalents	\$ -	\$ -	\$ 3,482	\$ -	\$ 8,490	\$ 1,345	\$ 132,517	\$ -	\$ 426,478	\$ 350	\$ 572,662
Taxes and other receivables	22,903	50,538	-	3,688	-	-	-	430	-	-	77,559
Total assets	\$ 22,903	\$ 50,538	\$ 3,482	\$ 3,688	\$ 8,490	\$ 1,345	\$ 132,517	\$ 430	\$ 426,478	\$ 350	\$ 650,221
LIABILITIES:											
Accounts payable	\$ -	\$ -	\$ 3,482	\$ -	\$ 8,490	\$ -	\$ 132,517	\$ -	\$ -	\$ 50	\$ 144,539
Due to property owners	-	-	-	-	-	-	-	-	426,478	-	426,478
Due to other governments	22,903	50,538	-	3,688	-	-	-	430	-	300	77,859
Due to participants	-	-	-	-	-	1,345	-	-	-	-	1,345
Total liabilities	\$ 22,903	\$ 50,538	\$ 3,482	\$ 3,688	\$ 8,490	\$ 1,345	\$ 132,517	\$ 430	\$ 426,478	\$ 350	\$ 650,221

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2018

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
State Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 28,184	\$ 2,767,130	\$ 2,795,314	\$ -
Taxes and other receivables	20,651	2,824,750	2,822,498	22,903
Total assets	\$ 48,835	\$ 5,591,880	\$ 5,617,812	\$ 22,903
Liabilities:				
Due to other governments	\$ 48,835	\$ 2,824,750	\$ 2,850,682	\$ 22,903
Total liabilities	\$ 48,835	\$ 2,824,750	\$ 2,850,682	\$ 22,903
Town Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 57,742	\$ 5,651,769	\$ 5,709,511	\$ -
Taxes and other receivables	50,896	5,471,119	5,471,477	50,538
Total assets	\$ 108,638	\$ 11,122,888	\$ 11,180,988	\$ 50,538
Liabilities:				
Due to other governments	\$ 108,638	\$ 5,471,119	\$ 5,529,219	\$ 50,538
Total liabilities	\$ 108,638	\$ 5,471,119	\$ 5,529,219	\$ 50,538
DMV Tag Sales Fund:				
Assets:				
Cash and cash equivalents	\$ 3,351	\$ 287,413	\$ 287,282	\$ 3,482
Total assets	\$ 3,351	\$ 287,413	\$ 287,282	\$ 3,482
Liabilities:				
Accounts payable	\$ 3,351	\$ 287,413	\$ 287,282	\$ 3,482
Total liabilities	\$ 3,351	\$ 287,413	\$ 287,282	\$ 3,482

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2018

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Hotel Rental Tax:				
Assets:				
Cash and cash equivalents	\$ 3,576	\$ 43,643	\$ 47,219	\$ -
Taxes and other receivables	-	3,688	-	3,688
Total assets	\$ 3,576	\$ 47,331	\$ 47,219	\$ 3,688
Liabilities:				
Due to other governments	\$ 3,576	\$ 47,331	\$ 47,219	\$ 3,688
Total liabilities	\$ 3,576	\$ 47,331	\$ 47,219	\$ 3,688
Tax Sale Proceeds Fund:				
Assets:				
Cash and cash equivalents	\$ 15,551	\$ 1,435,982	\$ 1,443,043	\$ 8,490
Total assets	\$ 15,551	\$ 1,435,982	\$ 1,443,043	\$ 8,490
Liabilities:				
Accounts payable	\$ 15,551	\$ 1,435,982	\$ 1,443,043	\$ 8,490
Total liabilities	\$ 15,551	\$ 1,435,982	\$ 1,443,043	\$ 8,490
Inmate Account:				
Assets:				
Cash and cash equivalents	\$ 1,351	\$ 65,829	\$ 65,835	\$ 1,345
Total assets	\$ 1,351	\$ 65,829	\$ 65,835	\$ 1,345
Liabilities:				
Due to participants	\$ 1,351	\$ 65,829	\$ 65,835	\$ 1,345
Total liabilities	\$ 1,351	\$ 65,829	\$ 65,835	\$ 1,345

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2018

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Confiscated Properties Fund:				
Assets:				
Cash and cash equivalents	\$ 100,605	\$ 49,906	\$ 17,994	\$ 132,517
Total assets	\$ 100,605	\$ 49,906	\$ 17,994	\$ 132,517
Liabilities:				
Accounts payable	\$ 100,605	\$ 49,906	\$ 17,994	\$ 132,517
Total liabilities	\$ 100,605	\$ 49,906	\$ 17,994	\$ 132,517
Bay Restoration Fund:				
Assets:				
Cash and cash equivalents	\$ 29,840	\$ 514,574	\$ 544,414	\$ -
Taxes and other receivables	-	430	-	430
Total assets	\$ 29,840	\$ 515,004	\$ 544,414	\$ 430
Liabilities:				
Due to other governments	\$ 29,840	\$ 515,004	\$ 544,414	\$ 430
Total liabilities	\$ 29,840	\$ 515,004	\$ 544,414	\$ 430
Public Drainage Association:				
Assets:				
Cash and cash equivalents	\$ 399,822	\$ 143,083	\$ 116,427	\$ 426,478
Total assets	\$ 399,822	\$ 143,083	\$ 116,427	\$ 426,478
Liabilities:				
Due to property owners	\$ 399,822	\$ 143,083	\$ 116,427	\$ 426,478
Total liabilities	\$ 399,822	\$ 143,083	\$ 116,427	\$ 426,478

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2018

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Home Builder Guaranty Fund				
Assets:				
Cash and cash equivalents	\$ 150	\$ 2,450	\$ 2,250	\$ 350
Total assets	\$ 150	\$ 2,450	\$ 2,250	\$ 350
Liabilities:				
Accounts payable	\$ -	\$ 50	\$ -	\$ 50
Due to other governments	150	2,400	2,250	300
Total liabilities	\$ 150	\$ 2,450	\$ 2,250	\$ 350
Total Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 640,172	\$ 10,961,779	\$ 11,029,289	\$ 572,662
Taxes and other receivables	71,547	8,299,987	8,293,975	77,559
Total assets	\$ 711,719	\$ 19,261,766	\$ 19,323,264	\$ 650,221
Liabilities:				
Accounts payable	\$ 119,507	\$ 1,773,351	\$ 1,748,319	\$ 144,539
Due to property owners	399,822	143,083	116,427	426,478
Due to other governments	191,039	8,860,604	8,973,784	77,859
Due to participants	1,351	65,829	65,835	1,345
Total liabilities	\$ 711,719	\$ 10,842,867	\$ 10,904,365	\$ 650,221

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS

June 30, 2018

	Recreation Programs	Public Works	Broadband Supply Fund	Basic Life Support Fund	Totals
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 236,988	\$ 392,059	\$ 5,817	\$ 648,787	\$ 1,283,651
Accounts receivable	199,966	75,836	-	1,165	276,967
Prepaid expenses	100	-	-	-	100
Total current assets	437,054	467,895	5,817	649,952	1,560,718
Noncurrent assets:					
Capital assets, net	-	17,413	888,420	-	905,833
Total assets	437,054	485,308	894,237	649,952	2,466,551
LIABILITIES:					
Current liabilities:					
Accounts payable	68,260	45,623	1,097	49,747	164,727
Unearned revenue	13,123	-	-	-	13,123
Due to other funds	3,339	-	-	-	3,339
Total current liabilities	84,722	45,623	1,097	49,747	181,189
Noncurrent liabilities:					
Long-term debt	-	-	-	-	-
Total liabilities	84,722	45,623	1,097	49,747	181,189
NET POSITION:					
Invested in capital assets	-	17,413	888,420	-	905,833
Unrestricted	352,332	422,272	4,720	600,205	1,379,529
Total net position	\$ 352,332	\$ 439,685	\$ 893,140	\$ 600,205	\$ 2,285,362

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2018

	Recreation Programs	Public Works	Broadband Supply Fund	Basic Life Support Fund	Totals
Operating revenues:					
Charges for services	\$ 264,225	\$ 680,043	\$ 345,595	\$ 1,548,689	\$ 2,838,552
Total operating revenues	264,225	680,043	345,595	1,548,689	2,838,552
Operating expenses:					
Personnel services	472,283	-	18,606	-	490,889
Operations and maintenance	337,291	649,468	16,846	348,888	1,352,493
Depreciation expense	-	1,990	140,407	-	142,397
Total operating expenses	809,574	651,458	175,859	348,888	1,985,779
Operating income (loss)	(545,349)	28,585	169,736	1,199,801	852,773
Nonoperating revenues (expenses):					
Intergovernmental revenues	601,157	-	-	-	601,157
Total nonoperating revenues (expenses)	601,157	-	-	-	601,157
Transfers in (out)	(5,839)	-	-	(1,114,274)	(1,120,113)
Change in net position	49,969	28,585	169,736	85,527	333,817
Net position, beginning of year	302,363	411,100	723,404	514,678	1,951,545
Net position, end of year	\$ 352,332	\$ 439,685	\$ 893,140	\$ 600,205	\$ 2,285,362

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2018

	Recreation Programs	Public Works	Broadband Supply Fund	Basic Life Support Fund	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 178,901	\$ 643,764	\$ 369,345	\$ 1,547,524	\$ 2,739,534
Cash paid to suppliers	(312,744)	(606,474)	(16,845)	(357,527)	(1,293,590)
Cash paid to employees	(472,283)	-	(18,606)	-	(490,889)
Net cash provided (used) by operating activities	(606,126)	37,290	333,894	1,189,997	955,055
Cash flows from noncapital financing activities					
Intergovernmental	601,157	-	-	-	601,157
Transfer in (out)	(5,839)	-	-	(1,114,274)	(1,120,113)
Receipt (payment) of interfund loan	3,339	-	(255,644)	-	(252,305)
Net cash provided (used) by noncapital financing activities	598,657	-	(255,644)	(1,114,274)	(771,261)
Cash flows from capital and financing activities					
Acquisition of capital assets	-	-	(72,433)	-	(72,433)
Net cash provided (used) by capital and financing activities	-	-	(72,433)	-	(72,433)
Net increase (decrease) in cash and cash equivalents	(7,469)	37,290	5,817	75,723	111,361
Cash and cash equivalents, beginning of year	244,457	354,769	-	573,064	1,172,290
Cash and cash equivalents, end of year	\$ 236,988	\$ 392,059	\$ 5,817	\$ 648,787	\$ 1,283,651
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (545,349)	\$ 28,585	\$ 169,736	\$ 1,199,801	\$ 852,773
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	1,990	140,407	-	142,397
Decrease (increase) in accounts receivable	(85,611)	(36,279)	23,750	(1,165)	(99,305)
Decrease (increase) in prepaid expense	(100)	-	-	-	(100)
Increase (decrease) in accounts payable	24,647	42,994	1	(8,639)	59,003
Increase (decrease) in unearned revenue	287	-	-	-	287
Net cash provided (used) by operating activities	\$ (606,126)	\$ 37,290	\$ 333,894	\$ 1,189,997	\$ 955,055

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND

YEAR ENDED June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>Revenues:</u>				
Taxes	\$ 1,024,582	\$ 1,024,582	\$ 583,469	\$ (441,113)
Intergovernmental revenues	1,642,410	1,642,410	295,695	(1,346,715)
Miscellaneous revenues	105,400	105,400	117,349	11,949
Total revenues	2,772,392	2,772,392	996,513	(1,775,879)
<u>Expenditures:</u>				
General government	443,536	443,536	193,937	(249,599)
Public safety	1,662,543	1,662,543	757,883	(904,660)
Public works	3,256,332	3,256,332	1,580,765	(1,675,567)
Primary education	500,000	500,000	435,329	(64,671)
Recreation and parks	718,551	718,551	229,525	(489,026)
Total expenditures	6,580,962	6,580,962	3,197,439	(3,383,523)
Excess (deficiency) of revenues over expenditures	(3,808,570)	(3,808,570)	(2,200,926)	1,607,644
<u>Other financing sources (uses):</u>				
Transfers in (out)	2,254,000	2,254,000	2,194,479	(59,521)
Fund balance re-appropriated	992,105	992,105	-	(992,105)
Proceeds from issuance of debt	562,465	562,465	-	(562,465)
Total other financing sources (uses)	3,808,570	3,808,570	2,194,479	(1,614,091)
Net change in fund balances	\$ -	\$ -	\$ (6,447)	\$ (6,447)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND

YEAR ENDED June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>Revenues:</u>				
Taxes	\$ 75,000	\$ 75,000	\$ 152,416	\$ 77,416
Total revenues	75,000	75,000	152,416	77,416
<u>Expenditures</u>				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	75,000	75,000	152,416	77,416
<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>\$ 152,416</u>	<u>\$ 152,416</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

YEAR ENDED June 30, 2018

	Original <u>Budget</u>	Final Budget	Actual	Variance With Final <u>Budget</u>
<u>Jonestown Water System:</u>				
Revenues:				
Charges for services	\$ 13,250	\$ 13,250	\$ 16,296	\$ 3,046
Expenditures:				
Public works	25,000	25,000	14,527	(10,473)
Other financing sources (uses):				
Transfers in	11,750	11,750	-	(11,750)
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,769	\$ 1,769
<u>4-H Park:</u>				
Revenues:				
Miscellaneous revenues	\$ 17,430	\$ 17,430	\$ 18,447	\$ 1,017
Expenditures:				
Recreation and culture	41,309	41,309	57,515	16,206
Other financing sources (uses):				
Transfers in	23,879	23,879	40,193	16,314
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,125	\$ 1,125
<u>Special Grants:</u>				
Revenues:				
Intergovernmental revenues	\$ 162,671	\$ 162,671	\$ 148,930	\$ (13,741)
Expenditures:				
Economic development	162,671	162,671	148,930	(13,741)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>OJP Grant Law Enforcement:</u>				
Revenues:				
Intergovernmental revenues	\$ 45,006	\$ 45,006	\$ 57,683	\$ 12,677
Expenditures:				
Public safety	45,006	45,006	56,431	11,425
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,252	\$ 1,252

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

YEAR ENDED June 30, 2018

	<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	\$ 19,600	\$ 9,600
Expenditures:				
General government	10,000	10,000	29,500	19,500
Revenues over (under) expenditures	\$ -	\$ -	\$ (9,900)	\$ (9,900)
<u>State Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 15,000	\$ 15,000	\$ 2,224	\$ (12,776)
Expenditures:				
General government	15,000	15,000	2,109	(12,891)
Revenues over (under) expenditures	\$ -	\$ -	\$ 115	\$ 115
<u>Summerfest Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 42,200	\$ 42,200	\$ 46,233	4,033
Expenditures:				
Recreation and culture	42,200	42,200	48,470	6,270
Revenues over (under) expenditures	\$ -	\$ -	\$ (2,237)	\$ (2,237)
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 133,000	\$ 133,000	\$ 77,977	\$ (55,023)
Expenditures:				
Public safety	133,000	133,000	84,325	(48,675)
Revenues over (under) expenditures	\$ -	\$ -	\$ (6,348)	\$ (6,348)
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 10,050	\$ 10,050	\$ 16,508	\$ 6,458
Expenditures:				
General government	10,050	10,050	3,947	(6,103)
Revenues over (under) expenditures	\$ -	\$ -	\$ 12,561	\$ 12,561

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
(CONTINUED)

YEAR ENDED June 30, 2018

	<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	-	(2,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Expenditures:				
General government	3,000	3,000	-	(3,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Emergency Management Grant:</u>				
Revenues:				
Intergovernmental revenues	\$ 100,292	\$ 100,292	\$ 134,889	\$ 34,597
Expenditures:				
Public safety	100,292	100,292	134,890	34,598
Revenues over (under) expenditures	\$ -	\$ -	\$ (1)	\$ (1)
<u>Business & Technology Park Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 58,625	\$ 58,625	\$ -	\$ (58,625)
Expenditures:				
Economic development	58,625	58,625	1,413	(57,212)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,413)	\$ (1,413)

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

YEAR ENDED June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Stormwater Facilities:</u>				
Revenues:				
Miscellaneous revenues	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
<hr/>				
Expenditures:				
Public works	6,000	6,000	-	(6,000)
<hr/>				
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<hr/> <hr/>				
<u>Drug Task Force:</u>				
Revenues:				
Miscellaneous revenues	\$ 35,050	\$ 35,050	\$ 59,198	\$ 24,148
<hr/>				
Expenditures:				
Public safety	45,400	45,400	114,203	68,803
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Revenues over (under) expenditures	\$ (10,350)	\$ (10,350)	\$ (55,005)	\$ (44,655)
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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
REVENUE AND EXPENDITURE DETAIL - HIGHWAY USERS
YEAR ENDED June 30, 2018

Revenue:	
State-shared taxes	\$ 394,138
Transportation grant	184,008
Total revenue	\$ 578,146
Expenditures – public works:	
General administration	274,989
Central shop	683,191
Highways and roads	1,517,564
Debt service	252,983
General services	38,878
Capital road expenditures	1,580,764
Total expenditures – highway users	4,348,369
Excess (deficiency) of revenues over expenditures – highway users	\$ (3,770,223)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2018

		<u>Actual</u>	<u>Budgeted Amounts</u>		Variance With Final <u>Budget</u>
			<u>Original</u>	<u>Final</u>	
Jail sewer project	\$ 14,508				
Identity theft protection	87,838				
Caroline County Humane Society	26,087				
Delmarva Power	17,375				
Cleaning services	5,400				
Traffic study	5,398				
Tuition reimbursement	27,990				
Software	18,587				
Miscellaneous	15,702				
		218,885	369,128	369,128	150,243
Total expenditures – Contingency Fund		\$ 218,885	\$ 369,128	\$ 369,128	\$ 150,243



STATISTICAL SECTION

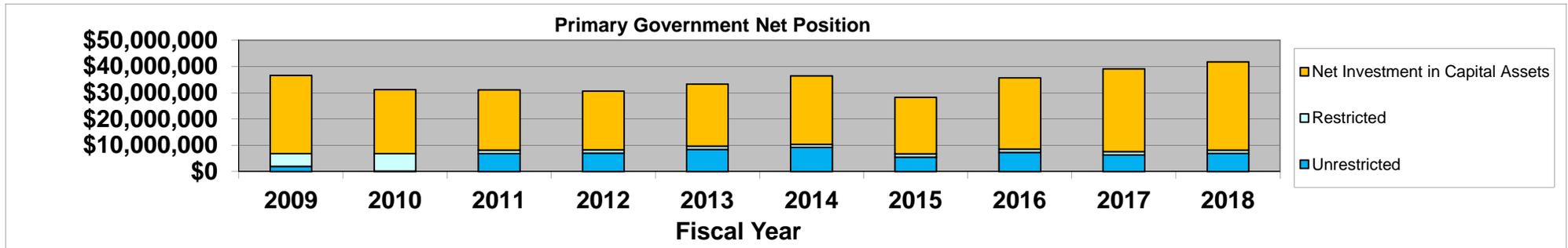
STATISTICAL SECTION

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,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 28,997,508	\$ 20,726,884	\$ 22,611,390	\$ 22,018,273	\$ 22,400,051	\$ 25,789,169	\$ 21,285,188	\$ 26,457,210	\$ 30,570,337	\$ 32,614,338
Restricted for:										
Capital Projects	3,791,417	5,547,595	-	-	-	-	-	-	-	-
Other Purposes	1,045,114	1,103,918	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886	1,238,709	1,226,766	1,252,711
Unrestricted	1,358,337	(33,962)	6,513,557	6,366,717	7,746,598	8,021,571	4,177,957	6,167,869	5,343,192	5,554,993
Total Government Activities Net Position	\$ 35,192,376	\$ 27,344,435	\$ 30,401,341	\$ 29,647,719	\$ 31,369,144	\$ 35,004,611	\$ 26,651,031	\$ 33,863,788	\$ 37,140,295	\$ 39,422,042
Business-type Activities										
Net Investment in Capital Assets	\$ 786,170	\$ 3,633,900	\$ 335,514	\$ 345,023	\$ 1,194,728	\$ 240,041	\$ 257,360	\$ 698,407	\$ 975,797	\$ 905,833
Unrestricted	610,117	211,922	334,353	606,197	671,536	1,167,628	1,329,005	1,110,732	975,748	1,379,529
Total Business-type Activities Net Position	\$ 1,396,287	\$ 3,845,822	\$ 669,867	\$ 951,220	\$ 1,866,264	\$ 1,407,669	\$ 1,586,365	\$ 1,809,139	\$ 1,951,545	\$ 2,285,362
Primary Government										
Net Investment in Capital Assets	\$ 29,783,678	\$ 24,360,784	\$ 22,946,904	\$ 22,363,296	\$ 23,594,779	\$ 26,029,210	\$ 21,542,548	\$ 27,155,617	\$ 31,546,134	\$ 33,520,171
Restricted	4,836,531	6,651,513	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886	1,238,709	1,226,766	1,252,711
Unrestricted	1,968,454	177,960	6,847,910	6,972,914	8,418,134	9,189,199	5,506,962	7,278,601	6,318,940	6,934,522
Total Primary Government Net Position	\$ 36,588,663	\$ 31,190,257	\$ 31,071,208	\$ 30,598,939	\$ 33,235,408	\$ 36,412,280	\$ 28,237,396	\$ 35,672,927	\$ 39,091,840	\$ 41,707,404



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

Years ended June 30,	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Government Activities:										
General Government	\$ 6,372,040	\$ 5,693,667	\$ 5,628,953	\$ 6,845,879	\$ 6,157,331	\$ 5,589,617	\$ 5,463,688	\$ 6,399,850	\$ 7,146,867	\$ 6,136,644
Public Safety	13,007,213	12,775,201	13,031,198	13,214,384	13,784,479	13,339,410	13,557,853	14,508,616	14,737,034	14,833,750
Public Works	5,870,164	5,277,671	4,908,094	4,573,494	4,142,162	4,057,284	4,219,727	3,159,719	4,455,794	5,162,103
Health	1,022,864	962,574	621,859	456,265	454,796	452,838	452,838	615,293	484,226	501,524
Social Services	1,251,541	1,141,037	1,267,129	133,412	131,212	135,638	138,128	146,828	218,653	188,531
Primary Education	13,103,740	16,619,350	13,498,500	14,109,214	13,497,885	13,416,327	15,739,948	15,532,393	15,143,859	14,640,054
Secondary Education	1,398,888	1,872,085	1,413,551	1,434,573	1,429,541	2,958,503	1,436,220	1,555,622	1,562,744	1,525,587
Recreation and Culture	1,371,773	1,203,622	1,153,486	1,172,538	1,373,010	1,356,787	1,337,703	1,401,868	1,463,349	1,426,255
Library	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000	1,135,477	1,176,435	1,205,435	1,176,153
Conservation of Natural	1,624,572	477,288	765,874	336,609	337,131	175,454	180,296	180,629	180,565	139,104
Economic Development	1,305,488	311,172	357,460	1,172,532	1,349,254	446,998	512,050	406,027	458,263	267,309
Public Housing	403,937	483,684	315,255	-	6,000	6,000	6,000	6,000	6,000	6,000
Interest on Long Term Debt	1,288,655	1,042,954	1,435,458	1,118,515	1,048,293	992,355	1,028,383	950,304	1,097,700	1,012,561
<i>Total Government Activities Expenses</i>	<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>	<u>48,160,489</u>	<u>47,015,575</u>
Business-type Activities										
Broadband supply	101,000	156,337	114,178	140,066	178,451	173,482	168,411	296,434	161,515	175,859
Interest on Long Term Debt -HAPS Building	153,203	147,446	-	-	-	-	-	-	-	-
Health and Public Service	314,953	334,437	-	-	-	-	-	-	-	-
Recreation	694,240	759,223	619,732	681,819	495,678	445,607	525,511	826,827	783,456	809,574
Public Works	585,571	581,872	755,518	814,760	826,306	819,952	644,655	462,651	513,814	651,458
Basic Life Support	382,184	542,224	517,036	531,269	572,597	425,067	650,905	312,322	325,710	348,888
<i>Total Business-type Activities Expense</i>	<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>	<u>1,784,495</u>	<u>1,985,779</u>
<i>Total Primary Government Expenses</i>	<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>	<u>49,944,984</u>	<u>49,001,354</u>

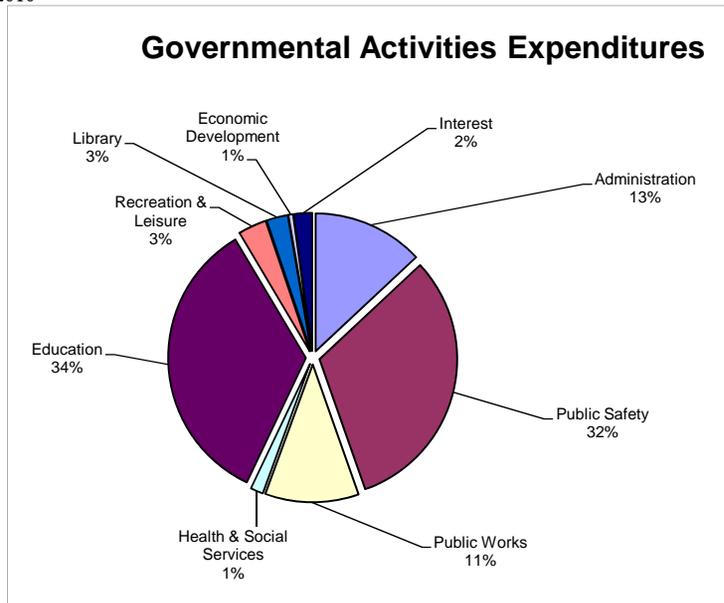
Caroline County, Maryland
Changes in Net Position
Last Ten Years
(accrual basis of accounting)
Schedule 2

Years ended June 30,	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Program Revenues										
Governmental Activities										
General Government	\$ 595,842	\$ 791,199	\$ 745,765	\$ 1,620,463	\$ 1,830,440	\$ 1,741,265	\$ 1,732,191	\$ 1,793,438	\$ 1,534,066	\$ 1,585,374
Public Safety	2,238,088	1,563,683	1,591,734	1,434,151	2,076,878	2,081,724	1,723,674	1,583,591	1,865,558	1,955,846
Public Works	3,708,693	669,237	1,118,952	855,996	693,388	984,496	712,602	1,666,062	2,217,768	1,000,877
Health	33,082	44,993	48,413	243	196	137	117	150	120	69
Social Services	951,127	1,508,785	1,117,280		7,258	536	932	-	1,872	-
Recreation and Culture	827,335	197,013	900,348	175,116	164,911	510,942	321,945	2,005,280	402,863	306,160
Library	-	-	-	-	-	5,500	-	-	-	-
Conservation of Natural Resources	154,706	240,903	331,508	164,866	176,201	130	74,178	8,338	89,244	71,751
Economic Development	1,674,404	266,154	133,372	1,071,275	1,090,517	285,469	253,119	143,441	234,969	157,054
Public Housing	393,834	455,943	296,401	-	-	-	-	-	-	-
Interest	11,278	9,365	7,410	-	-	-	-	-	-	-
Total Government Activities Program Revenues	10,588,389	5,747,275	6,291,183	5,322,110	6,039,789	5,610,199	4,818,758	7,200,300	6,346,460	5,077,131
Business-type Activities										
Charges for Service										
Jonestown	-	-	-	-	791,440	-	-	-	-	-
Broadband	181,160	152,586	171,450	219,169	228,248	229,222	230,235	468,391	313,479	345,595
Health and Public Service	498,215	482,358	-	-	-	-	-	-	-	-
Recreation	200,295	159,194	173,827	167,309	184,591	188,985	580,264	864,013	842,461	865,382
Public Works	644,480	648,923	790,680	863,618	870,044	891,077	717,510	505,633	575,206	680,043
Basic Life Support	1,063,760	1,145,963	1,150,699	1,407,294	1,343,084	1,409,423	1,419,113	1,497,438	1,491,360	1,548,689
Operating Grants-Recreation	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)	(1,295,605)	(1,120,113)
Total Business-type Activities Revenue	3,106,887	4,971,074	(1,169,491)	2,449,267	2,988,076	1,405,513	2,168,178	2,121,008	1,926,901	2,319,596
Net (Expense)/Revenue										
Governmental Activities	(38,882,486)	(43,313,030)	(39,205,634)	(40,356,355)	(38,780,480)	(38,431,012)	(40,389,553)	(38,839,284)	(41,814,029)	(41,938,444)
Business-type Activities	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696	222,774	142,406	333,817
	(38,006,750)	(40,863,495)	(42,381,589)	(40,075,002)	(37,865,436)	(38,889,607)	(40,210,857)	(38,616,510)	(41,671,623)	(41,604,627)

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

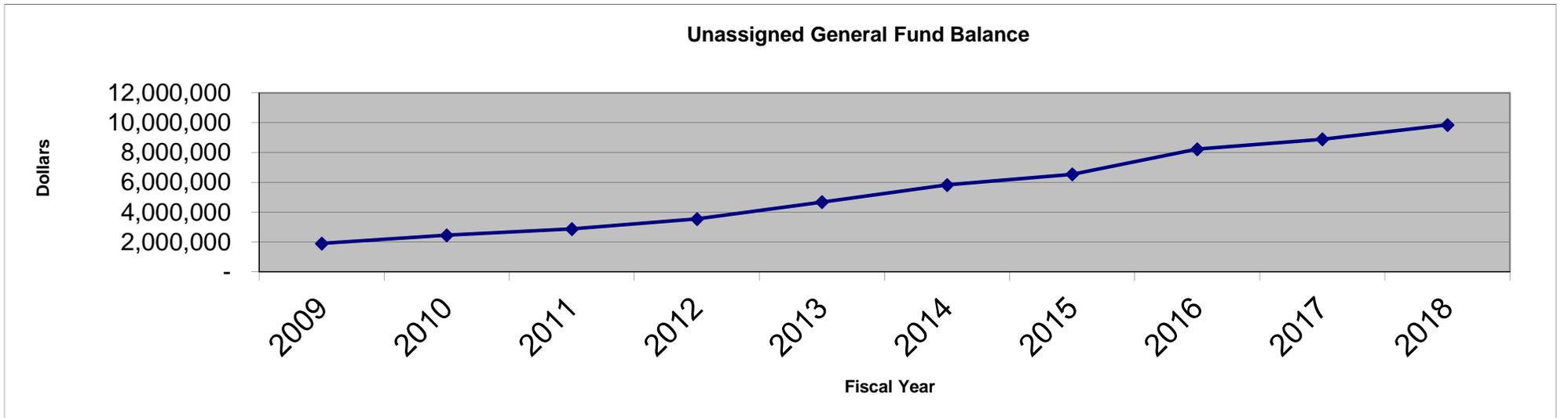
Years ended June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and other Changes in Net Position										
Government Activities										
Property Taxes	\$ 21,320,919	\$ 23,245,019	\$ 23,892,084	\$ 23,932,023	\$ 24,106,972	\$ 24,718,235	\$ 24,922,043	\$ 25,339,865	\$ 25,320,390	\$ 25,380,855
Other Taxes	12,293,573	11,831,008	12,323,263	12,489,087	12,948,765	13,056,195	14,722,998	15,297,429	16,075,603	16,742,788
Operating Grants Unrestricted	2,253,325	2,131,782	2,131,782	2,486,371	2,656,463	2,677,520	2,700,488	2,794,257	2,131,782	2,131,782
Other	232,447	22,311	(60,536)	20,076	20,505	16,265	16,546	1,406,023	267,156	215,732
Net Transfers out	-	(1,765,031)	3,975,947	675,176	769,200	1,598,264	778,944	1,214,467	1,295,605	1,134,555
Total Government Activities/Primary Government	36,100,264	35,465,089	42,262,540	39,602,733	40,501,905	42,066,479	43,141,019	46,052,041	45,090,536	45,605,712
Change in Net Position										
Governmental Activities	(2,782,222)	(7,847,941)	3,056,906	(753,622)	1,721,425	3,635,467	2,751,466	7,212,757	3,276,507	3,667,268
Business-type Activities	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)	178,696	222,774	142,406	333,817
	\$ (1,906,486)	\$ (5,398,406)	\$ (119,049)	\$ (472,269)	\$ 2,636,469	\$ 3,176,872	\$ 2,930,162	\$ 7,435,531	\$ 3,418,913	\$ 4,001,085

* Emergency Medical and Management combined in 2010



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

Years ended June 30, General Fund	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Non-Spendable	\$ 247,230	\$ 235,828	\$ 245,951	\$ 196,238	\$ 249,857	\$ 299,395	\$ 192,940	\$ 257,520	\$ 275,927	\$ 330,005
Committed	-	-	-	-	-	-	600,000	100,000	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,895,700	2,448,436	2,865,037	3,542,706	4,676,874	5,822,858	6,539,975	8,220,622	8,886,812	9,853,053
Total General Fund	2,142,930	2,684,264	3,110,988	3,738,944	4,926,731	6,122,253	7,332,915	8,578,142	9,162,739	10,183,058
All Other Governmental Funds										
Non-Spendable	-	-	-	-	-	-	-	3,000	-	-
Restricted	1,143,559	1,248,452	1,276,394	1,262,729	1,222,495	1,193,871	1,187,886	1,238,709	1,226,766	1,252,711
Committed	4,308,915	6,017,730	4,599,070	2,360,885	1,922,985	1,708,100	6,559,499	5,147,533	4,092,687	4,228,871
Assigned	92,630	84,962	83,595	93,166	614,898	607,011	611,952	455,606	415,125	380,778
Unassigned	-	-	-	(5,433)	(1,130)	(15,953)	(11,445)	(14,563)	(17,814)	(14,478)
Total other governmental funds	5,545,104	7,351,144	5,959,059	3,711,347	3,759,248	3,493,029	8,347,892	6,830,285	5,716,764	5,847,882
Total	\$ 7,688,034	\$ 10,035,408	\$ 9,070,047	\$ 7,450,291	\$ 8,685,979	\$ 9,615,282	\$ 15,680,807	\$ 15,408,427	\$ 14,879,503	\$ 16,030,940



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

Years ended June 30,	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Property and Other Taxes	\$ 37,488,775	\$ 35,450,102	\$ 36,765,070	\$ 36,772,497	\$ 37,578,610	\$ 38,173,979	\$ 40,192,176	\$ 41,275,355	\$ 41,857,797	\$ 42,674,803
License and Permits	221,860	210,479	184,961	166,588	154,031	156,690	186,241	212,388	224,629	187,782
Intergovernmental Revenues	7,532,541	5,799,175	6,262,265	5,703,158	5,819,962	6,048,780	5,049,509	7,437,257	6,235,001	4,855,579
Charges for Services	885,550	768,966	722,778	793,343	862,590	798,694	841,228	818,361	812,841	813,176
Miscellaneous Revenues	888,268	855,322	738,248	663,647	1,357,301	754,707	757,262	2,280,951	1,023,027	989,962
Total Revenues	47,016,994	43,084,044	44,673,322	44,099,233	45,772,494	45,932,850	47,026,416	52,024,312	50,153,295	49,521,302
Expenditures										
General Government	5,428,556	5,060,521	4,726,364	5,440,074	5,132,124	5,131,536	5,861,027	6,814,854	6,013,351	5,841,309
Public Safety	12,593,790	11,989,750	11,884,025	12,262,522	13,258,479	13,906,231	13,808,138	17,961,033	14,832,462	14,833,020
Public Works	4,893,641	4,122,881	5,413,760	4,956,421	3,776,908	4,677,853	4,978,910	6,064,866	6,562,362	5,133,254
Health	902,434	840,934	540,151	452,838	452,838	452,838	452,838	612,838	484,226	501,524
Social Services	305,414	212,422	138,028	133,412	131,212	135,638	138,128	146,828	218,653	216,853
Primary Education	13,103,740	16,619,350	13,498,500	13,927,127	13,497,885	13,416,327	15,739,948	15,532,393	15,142,859	14,640,054
Secondary Education	1,441,101	1,915,590	1,458,291	1,480,604	1,481,864	3,012,118	1,527,319	1,582,243	1,659,666	1,625,341
Public Library	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000	1,135,477	1,176,435	1,205,435	1,176,153
Recreation and Parks	2,330,004	1,164,373	881,535	878,614	1,070,951	1,382,727	1,193,178	2,917,903	1,324,661	1,290,304
Arts	12,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Conservation of Natural Resources	477,058	334,911	313,533	290,726	291,248	129,571	134,413	135,413	136,414	139,104
Housing Rehabilitation	105,283	33,457	11,725	-	6,000	6,000	6,000	6,000	6,000	6,000
Economic Development	2,652,025	2,138,818	1,825,055	1,317,532	1,349,254	446,998	495,865	406,027	458,263	267,309
Intergovernmental-Local	3,090	3,090	3,090	-	-	-	-	-	-	-
Historical	5,000	4,000	-	-	-	-	-	-	-	-
Contingency	27,837	46,407	52,253	40,863	193,950	26,837	79,000	406,760	319,456	218,885
Town Planning Grants	8,500	8,500	8,500	-	-	-	-	-	-	-
Capital Outlay	12,435	61,946	9,588	-	-	-	-	-	-	-
Miscellaneous	1,573,899	494,416	507,485	-	-	-	-	-	-	-
Debt Service										
Principal	2,459,259	7,342,721	6,235,600	3,081,118	2,558,000	2,399,000	2,509,085	2,676,471	2,499,565	2,664,561
Interest and Fiscal Charges	1,293,060	1,259,115	1,485,758	1,118,515	1,048,293	992,355	1,028,383	950,304	1,097,700	1,012,561
Total Expenditures	51,078,626	54,858,202	50,098,241	46,496,416	45,363,181	47,235,029	49,092,709	57,395,368	51,966,073	49,571,232
Excess of Revenues Over (Under) Expenditures	(4,061,632)	(11,774,158)	(5,424,919)	(2,397,183)	409,313	(1,302,179)	(2,066,293)	(5,371,056)	(1,812,778)	(49,930)

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

Years ended June 30,	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Other Financing Sources (Uses)										
Note Issued Chesapeake College	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520,000	\$ -	\$ -	\$ -	\$ -
Sale of Capital Assets	6,151	811	19,987	65,935	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	135,446	-	-	-
Proceeds of Long Term Debt	-	16,042,529	3,736,000	-	-	-	7,300,000	3,799,156	-	-
Transfers In	801,776	7,435,261	935,463	-	-	-	778,944	1,214,467	1,295,605	1,134,555
Transfers Out	(4,059,491)	(9,346,919)	(265,570)	759,675	769,200	696,068	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<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>	<u>1,295,605</u>	<u>1,134,555</u>
Net Change in Fund Balance	<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>	<u>\$ (517,173)</u>	<u>\$ 1,084,625</u>
Debt Service as a Percentage of Non Capital Expenditures (1)	7.8%	16.3%	15.8%	9.4%	8.2%	7.9%	7.7%	7.6%	7.7%	7.9%

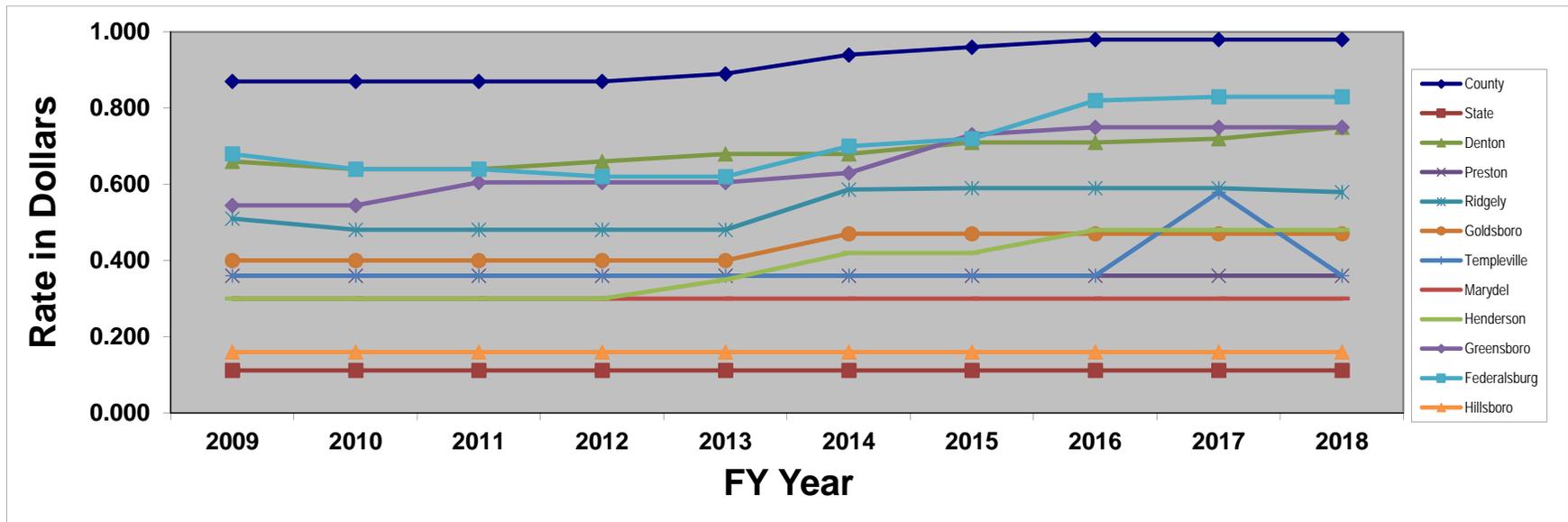
Notes
 (1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

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
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	0.360	0.590	0.470	0.360	0.300	0.480	0.750	0.820	0.160
2017	0.980	0.112	0.720	0.360	0.590	0.470	0.579	0.300	0.480	0.750	0.830	0.160
2018	0.980	0.112	0.750	0.360	0.579	0.470	0.360	0.300	0.480	0.750	0.830	0.160

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

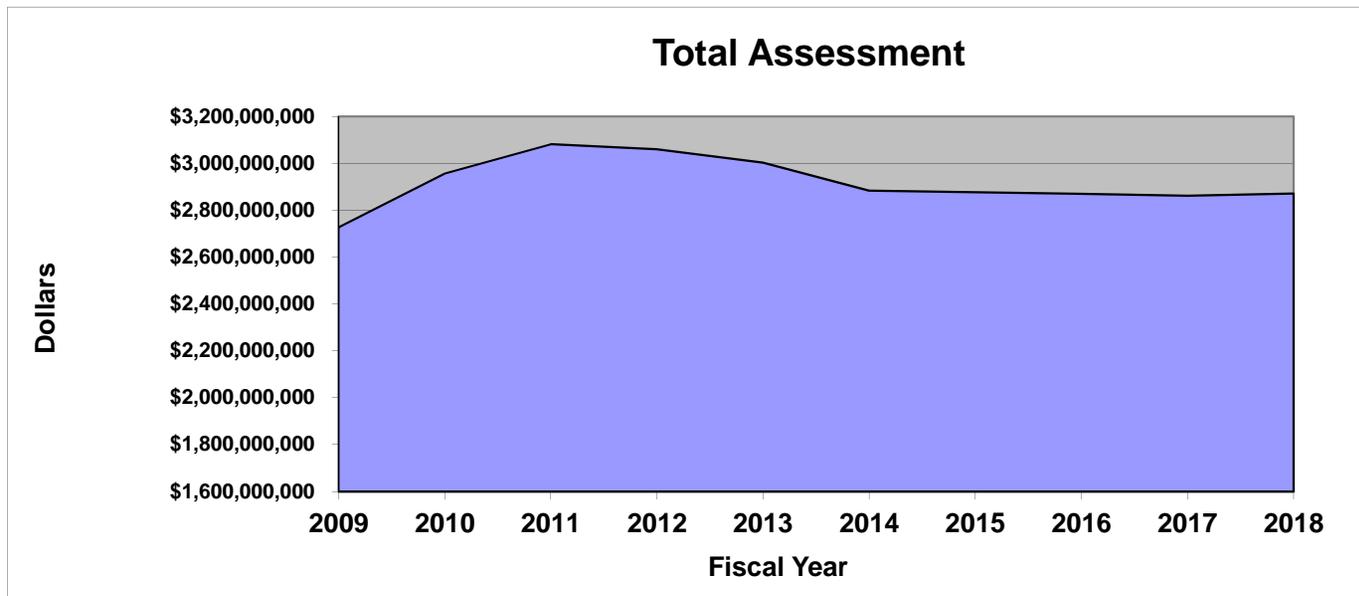


Caroline County, Maryland
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Schedule 6

Fiscal Year Ending June 30	Real Property Assessed Value	Exempt Property	Real Property Total Assessed Value	Total Direct Tax Rate(1)	Corp & Utility Assessed Value	Total Assessed Value
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
2017	\$ 2,478,199,130	\$ 325,016,755	\$ 2,803,215,885	0.980	\$ 58,751,070	\$ 2,861,966,955
2018	\$ 2,485,985,965	\$ 320,861,336	\$ 2,806,847,301	0.980	\$ 63,843,530	\$ 2,870,690,831

Source: Maryland State Department of Assessments and Taxation.

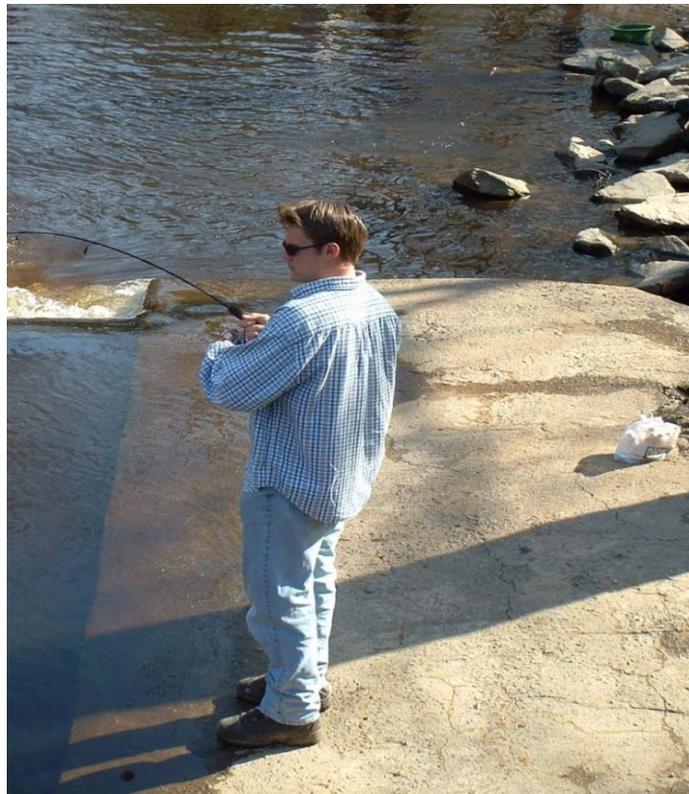
(1) This rate does not reflect the tax differential for properties located within incorporated towns



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
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%	\$ 38,017	\$ 22,856,443	100.0%
2011	\$ 23,648,637	\$ 23,588,002	99.74%	\$ 48,881	\$ 23,636,883	100.0%
2012	\$ 23,790,344	\$ 23,729,788	99.75%	\$ 48,945	\$ 23,778,733	100.0%
2013	\$ 23,977,024	\$ 23,921,365	99.77%	\$ 43,843	\$ 23,965,208	100.0%
2014	\$ 24,557,950	\$ 24,469,016	99.64%	\$ 82,403	\$ 24,551,419	100.0%
2015	\$ 24,806,792	\$ 24,704,319	99.59%	\$ 64,014	\$ 24,768,333	99.8%
2016	\$ 25,235,902	\$ 25,152,021	99.67%	\$ 47,514	\$ 25,199,535	99.9%
2017	\$ 25,279,362	\$ 25,214,782	99.74%	\$ 24,214	\$ 25,238,996	99.8%
2018	\$ 25,323,742	\$ 25,240,019	99.67%	\$ -	\$ 25,240,019	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, 2018
 Schedule 8

Tax Year		2007	2017	2017	2017	% of Total
Taxpayer	Type of Business	Assessed Valuation	Assessed Valuation	Tax	Tax	Tax Levy
Choptank Electric	Electric Power	\$ 18,572,150	\$ 30,246,670	\$ 396,370	\$ 724,337	2.86%
Delmarva Power and Light	Electric Power	\$ 16,455,234	\$ 27,580,890	\$ 357,810	\$ 674,616	2.66%
Verizon Maryland	Telephone utility	\$ 15,159,720	\$ 6,091,440	\$ 330,481	\$ 149,240	0.59%
Walmart	Retail Store	\$ -	\$ 15,195,700		\$ 138,281	0.55%
Istar SCC Distribution	Cups and containers	\$ 6,607,032	\$ 15,114,300	\$ 49,553	\$ 134,517	0.53%
BOP Denton Plaza LLC	Developer/Management Company	\$ -	\$ 11,914,033		\$ 108,418	0.43%
East Star, LLC	Excavating	\$ 7,851,687	\$ 7,831,367	\$ 67,442	\$ 76,640	0.30%
Burris Foods, Inc	Transport of refrigerated food products	\$ 8,834,298	\$ 6,839,100	\$ 76,858	\$ 67,023	0.26%
Provident State Bank	Banking Industry	\$ -	\$ 6,330,600		\$ 60,243	0.24%
H&M Bay, Inc	Refrigerated trucking	\$ 5,070,100	\$ 6,420,200	\$ 38,026	\$ 57,140	0.23%

Source: Caroline County Tax Office
 Total Tax Levy Real and Personal.

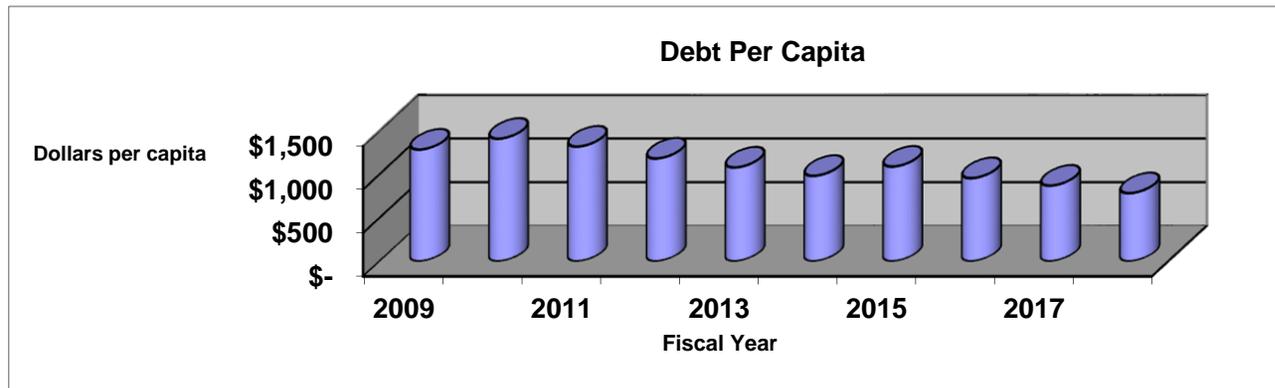


Caroline County, Maryland
Ratio of Outstanding Debt by Type
Last Ten Years
Schedule 9

Year June 30,	Governmental Activities							Business-type Activities	Primary Government	Total 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)	TOTAL		
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
2017	\$ 25,978,889	\$ -	\$ 3,057,529	\$ 1,529,874	\$ 2,530,583	\$ 3,471,097	\$ 36,567,972	\$ -	\$ 36,567,972	2.67%	\$ 868
2018	\$ 23,646,178	\$ -	\$ 3,057,529	\$ 1,430,120	\$ 2,502,261	\$ 3,132,474	\$ 33,768,562	\$ -	\$ 33,768,562	2.38%	\$ 782

(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.



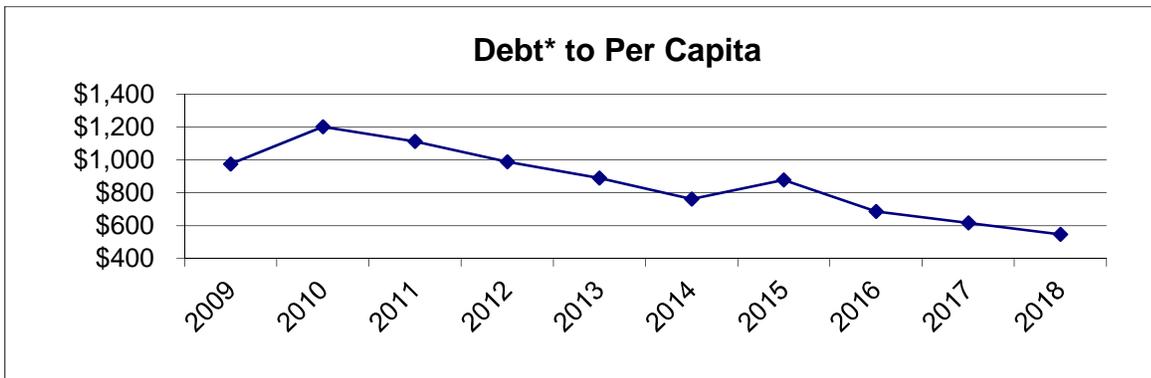
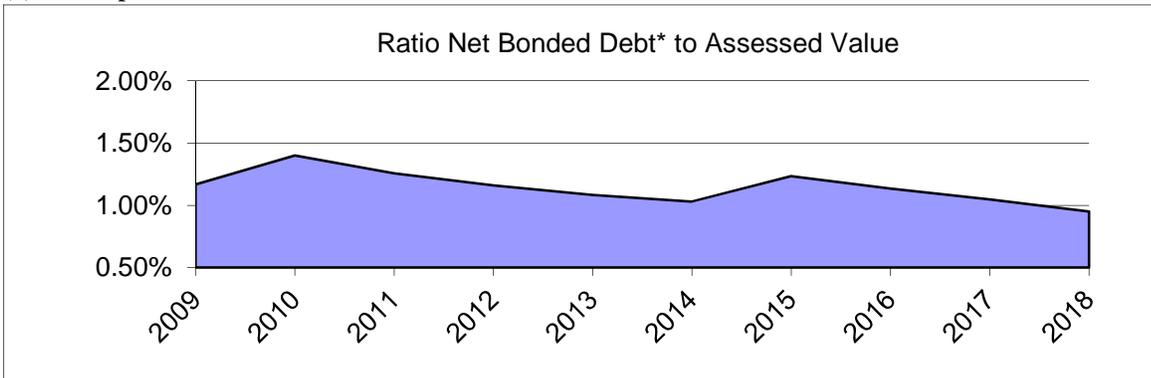
Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

Year June 30,	General <u>Bonded Debt</u>	(1) Assessed <u>Value</u>	(2) Per <u>Capita</u>	Ratio Net Bonded Debt* to <u>Assessed</u> <u>Value</u>	Debt* to Per <u>Capita</u>
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
2017	\$ 25,978,889	\$ 2,478,199,130	\$ 42,110	1.05%	\$ 617
2018	\$ 23,646,178	\$ 2,485,985,965	\$ 43,187	0.95%	\$ 548

* 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

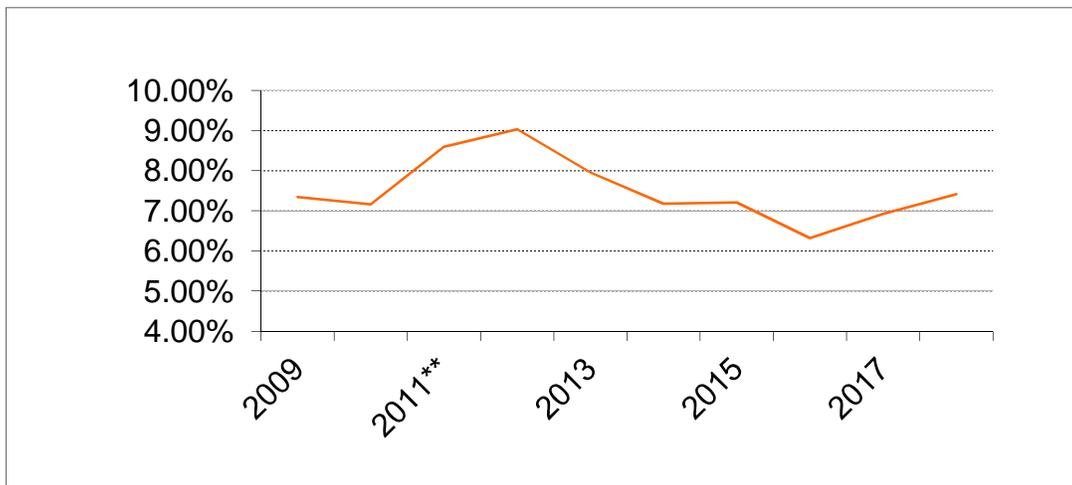
(2) Per Capita is from Schedule 13



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
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%
2017	\$ 2,499,565	\$ 1,097,700	\$ 3,597,265	\$ 51,966,073	6.92%
2018	\$ 2,664,561	\$ 1,012,561	\$ 3,677,122	\$ 49,571,232	7.42%

*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, 2018
Schedule 12

Political Subdivision	Debt Outstanding	Percentage Applicable To County*	Amount Applicable To County
Caroline County Direct Debt	\$ 33,768,562	100.00%	\$ 33,768,562
	<u>33,768,562</u>		<u>33,768,562</u>
Caroline County Library	-	100.00%	-
Caroline County Board of Education	3,567,971	100.00%	3,567,971
Town of Denton	1,643,546	100.00%	1,643,546
Town of Federalsburg	2,222,030	100.00%	2,222,030
Town of Greensboro	610,885	100.00%	610,885
Town of Preston	950,505	100.00%	950,505
Town of Ridgely Indirect Debt	181,950	100.00%	181,950
	<u>9,176,887</u>		<u>9,176,887</u>
TOTAL	<u>\$ 42,945,449</u>		<u>\$ 42,945,449</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	Population (1)	Personal Income per 1000 (1)(5)	Per Capita Income (1)(3)	High School Graduates (2)(8)	School Enrollment (2)(6)(9)	Labor Force(4)(7)	Employment (4)(7)	Unemployment (4)(7)	Unemployment Rate (7)	Median Age (3)
2009	33,367	964,434	28,904	371	5,474	16,272	14,779	1,493	9.2%	37.5
2010	33,217	1,009,420	30,389	373	5,551	16,436	14,890	1,546	9.4%	36.6
2011	33,066	1,009,420	30,527	373	5,175	16,526	15,042	1,484	9.0%	38.7
2012	33,072	1,034,572	31,282	364	5,226	16,693	15,265	1,428	8.6%	38.7
2013	33,128	1,054,608	31,834	353	5,810	16,615	15,246	1,369	8.2%	38.7
2014	33,733	1,146,599	33,990	317	5,545	17,121	15,928	1,193	7.0%	38.7
2015	33,900	1,187,009	35,015	372	5,592	17,966	16,937	1,029	5.7%	39.0
2016	34,330	1,224,667	41,065	323	5,602	17,335	16,489	846	4.8%	39.0
2017	32,900	1,371,907	42,110	329	5,705	17,629	14,395	820	4.7%	40.1
2018	32,850	1,418,690	43,187	355	5,715	17,518	16,853	665	3.8%	40.0

Source:

- (1) Bureau of Economic Analysis, US Department of Commerce, Maryland Department of Planning 2015 projections revised in August 2017
- (2) 2017 Maryland Dept of Education
- (3) Maryland Department of Business & Economic Development Brief Economic Outlook Caroline County 2011-2013
- (4) US Dept of Commerce Bureau of Economic Analysis
Maryland Dept of Labor Licensing and Regulation
- (5) Caroline County Bearfacts
- (6) http://planning.maryland.gov/msdc/schenroll/k-12_total.pdf
- (7) http://www.mdp.state.md.us/msdc/School_Enrollment/Table2.pdf
- (8) Bureau of Labor Statistics - <http://www.bea.gov/regional/downloadzip.cfm>
- (9) <https://www.dllr.state.md.us/lmi/laus/>
- (10) http://www.mdp.state.md.us/msdc/School_Enrollment/SchoolEnrollmentProjection.shtml
- (11) http://www.mdp.state.md.us/msdc/School_Enrollment/Table3.pdf



Caroline County, Maryland
Major Employers FYE 6/30/2018
Schedule 14

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	925	5.49%
Solo Cup	Cups and containers	586	3.48%
Benedictine School	Private School for exceptional children	425	2.52%
WalMart	Department Store/Groceries	280	1.66%
H&M Bay	Refrigerated trucking	263	1.56%
Caroline County	Government	241	1.43%
Choptank Transport	Refrigerated trucking	195	1.16%
Choptank Electric Cooperative	Electric Utility Coop	161	0.96%
Choptank Community Health Systems	Medical Service	140	0.83%
Tri Gas & Oil	Appliances, metered gas, fuel oil	130	0.77%

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 6/2008

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	863	5.61%
Solo Cup	Cups and containers	543	3.53%
Benedictine School	Private School for exceptional children	350	2.27%
Caroline County	Government	226	1.47%
Choptank Electric Cooperative	Electric Power	161	1.05%
H&M Bay	Refrigerated trucking	135	0.88%
Ruxton Health of Denton	Medical Services	126	0.82%
Caroline Nursing Home	Nursing care	120	0.78%
Burriss Retail Logistics	Transport of refrigerated food products	100	0.65%

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

Caroline County, Maryland
 Deposits of All FDIC-Insured Institutions
 Operating in Caroline County
Schedule 15

<u>Year</u>	(1) <u>Bank Deposits</u> <u>(dollars in Millions)</u>	(2) <u>Avg Sale Price</u> <u>for a Single Family Home</u>	(3) <u>Total Assessed Property Value</u>
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
2016	422	187,224	2,803,215,885
2017	455	214,679	2,806,847,301

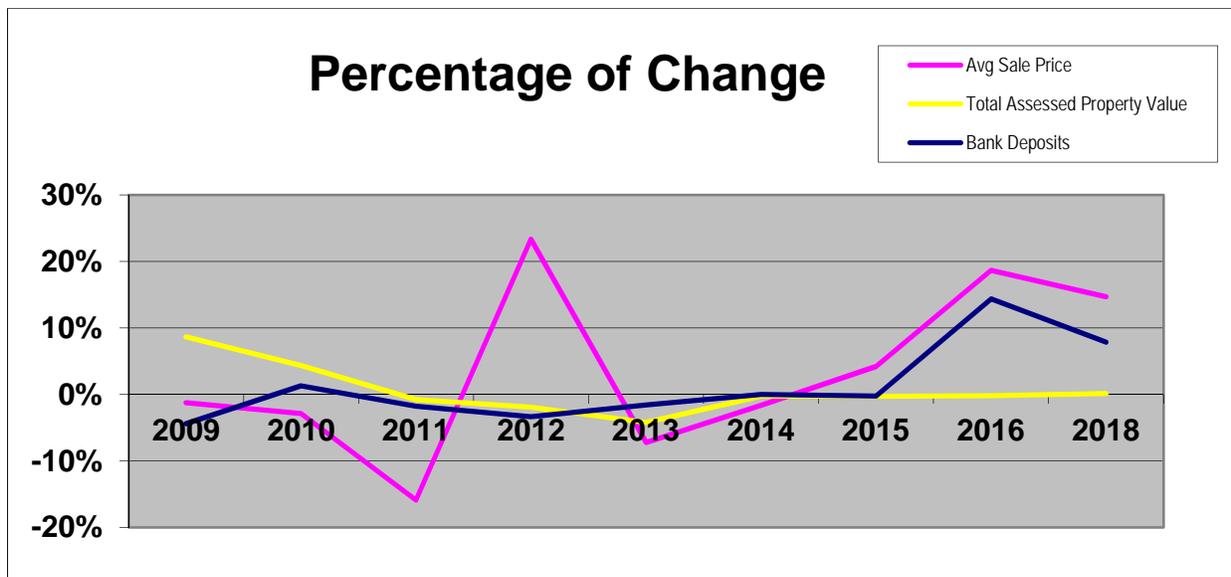
Source:

(1) Federal Deposit Insurance Corporation Web Site

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

(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 2009 - 2018 (Unaudited)
Schedule 16

Types	2009		2010		2011		2012		2013		2014		2015	
	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	27	4,205,153	45	5,716,254	22	3,237,000	24	3,924,530	22	4,105,200	32	6,207,520	38	6,491,540
Accessory Dwellings	-	-	2	200,000	1	55,000	3	140,000	1	30,000	-	-	-	-
Accessory Structures	79	1,162,733	81	1,465,340	40	537,030	37	730,355	55	976,426	44	968,104	86	2,085,813
Additions	54	1,305,053	43	637,636	32	1,190,508	29	788,200	17	337,200	34	1,411,950	27	1,104,500
Comm/Industrial & Institutional	9	1,680,490	10	4,767,189	8	1,484,400	10	338,100	9	293,500	12	1,330,088	10	1,900,250
Mobile Homes	16	440,105	10	415,298	6	134,500	7	404,316	12	400,900	8	410,039	15	809,329
Poultry Structures/Ag	39	2,539,620	37	1,176,068	26	783,039	27	730,057	27	2,262,655	37	3,636,933	28	8,070,239
Change of Use/Home Occupation	3	2,750	-	-	6	300	-	-	2	27,000	6	1,000	1	3,000
Shoreline Projects	5	136,000	6	103,500	5	131,350	5	88,400	2	29,700	3	36,000	5	95,000
Decks Pools Signs	5	67,000	-	-	-	-	-	-	-	-	-	-	-	-
Foundation	-	-	-	-	36	336,002	30	314,924	31	456,929	29	259,851	36	378,121
Renovations	13	529,289	14	243,238	14	264,048	9	91,920	8	148,300	4	14,200	6	15,666
Misc	-	-	-	-	-	-	-	-	2	7,743	11	314,400	13	652,137
Totals	250	\$ 12,068,193	248	\$ 14,724,523	196	\$ 8,153,177	181	\$ 7,550,802	188	\$ 9,075,553	220	\$ 14,590,085	265	\$ 21,605,595

Source: Caroline County Dept of Planning

Types	2016		2017		2018	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	36	7,186,054	29	7,046,142	32	9,650,678
Accessory Dwellings	3	168,980	1	1,000	1	10,000
Accessory Structures	106	2,677,567	121	2,856,977	90	2,183,892
Additions	32	869,900	27	1,465,100	26	1,412,087
Comm/Industrial & Institutional	12	1,245,500	6	852,620	6	825,820
Mobile Homes	11	497,500	7	128,500	19	668,296
Poultry Structures/Ag	35	9,358,798	27	11,488,502	37	10,383,712
Change of Use/Home Occupation	7	2,678	6	27,500	4	30,000
Shoreline Projects	3	55,000	3	83,600	1	20,000
Foundation	30	347,648	41	491,983	47	658,162
Renovations	5	19,176	4	14,572	6	40,772
Misc	22	613,790	15	371,300	12	269,261
Totals	302	\$ 23,042,591	287	\$ 24,827,796	281	\$ 26,152,680



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

<u>Function/Program</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>	<u>2017</u>	<u>2018</u>
General Government	129	130	122	131	130	126	126	130	129	134
Public Safety	33	33	31	31	31	31	32	31	36	38
Public Works	55	37	45	40	40	38	38	38	38	43
Leisure Services	11	10	10	9	9	9	9	9	9	9
Total	228	210	208	211	210	204	205	208	212	224

Source: Caroline County Human Resources

Operating Indicators by Function/Program
Last Ten Years

<u>Function/Program</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>	<u>2017</u>	<u>2018</u>
General Government*										
Payroll Checks Processed	8,216	8,190	8,092	7,855	7,964	7,654	8,000	9,241	8,999	9,057
Number of Checks Written	6,304	5,664	5,007	4,351	4,359	4,320	4,217	4,185	4,038	3,762
Number of EFT's	-	-	-	-	-	-	-	-	-	563
Purchase orders Issued	2,472	1,869	1,964	1,779	1,584	1,820	1,649	1,699	1,450	839
Public Safety (calendar year)										
Sheriff Calls for Service(1)	12,199	12,199	10,446	12,692	12,011	NA	NA	NA	NA	NA
911 Calls(1)	17,008	16,488	16,314	18,288	18,911	19,185	18,557	24,518	19,864	18,962
Calls for Fire & EMS Dispatches(1)	8,793	8,459	5,457	5,548	5,306	5,623	4,858	5,045	5,329	5,329
Avg Detention Ctr Daily Population(2)	98	92	111	98	102	111	98	87	NA	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	7
Uniform Police Officers(3)	77	62	63	63	62	58	59	59	59	59
Number of Vehicles	76	68	68	68	71	67	70	70	68	68
Number of Type 1 law violations (3)	1,211	1,146	1,221	1,070	1,013	888	750	727	NA	NA
Physical arrests (3)	2,087	2,170	2,137	1,957	1,992	1,860	1,705	1,657	NA	NA
Traffic violations (3)	5,935	7,830	NA	5,900	7,721	7,929	6,900	6,217	NA	NA
Public Works**										
Miles of Roads Serviced	-	-	-	38	38	38	43	40	46	46
Annualized Tonnage for Collection Sites	5,493	5,091	3,199	1,401	1,401	1,401	1,019	1,015	979	979
Parks and Rec***										
Number of Programs	312	313	313	313	313	313	307	234	234	234

* Finance Office Records

** Source Public Work Records

*** Source Parks & Recs Staff

(1) Source Emergency Management Logs

(2) Correction Annual Report

(3) State of Md Uniform Crime Report-Calendar Year

Caroline County Maryland
Capital Asset Statistics
Last Ten Years
Schedule 18

Function/Program	June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	6	6	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		399.00	399.00	399.00	399.00	399.00	399.00	399.00	399.00	399.00	399.00
Vehicles in Roads Department		27	27	26	26	26	24	25	26	26	26
Caroline County Sheriff Department(7)											
Vehicles in Service		31	31	32	32	35	32	34	34	35	35

Sources

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



Caroline County, Maryland
Miscellaneous Statistics
June 30, 2018 (Unaudited)
Schedule 19

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

Population(1)

1970 19,781
1980 23,143
1990 27,035
2000 29,772
2010 33,066
2015 33,900

Employees-Source Human Resources Records

Exempt 40
Full time 186
Part time (FTE) 15
Total 241

County Maintained Roads-Source Public Works Records

Paved 399
Unpaved 76
Total 475

Libraries-Source Library Staff

Number of Libraries 3

Education (Public)-Source BOE Admin Staff

Number of Schools
High Schools 3
Middle Schools 2
Elementary Schools 5
Number of Personnel
Teachers 489
Administrators 47
Support 349
Other 0
Number of students 5,787

(1) 2010 Census

(2) Caroline County Budget Document

Board of Elections-Source Local Election Staff

Registered voters at last general election 17,596
Number of votes cast last general election 13,286
Percentage of registered voters voting 75.50%

Police Protection- Source Sheriff Budget Document

Uniform Police Officers 38
Number of Vehicles 39
Number of Offenses-Sheriff Dept (2) 726
Traffic violations (2) 6,735

Detention Center-Source Annual Correction Report

Detention Center Officers 33
Average Daily Population (2) 73
Average Daily Work Release (2) 1

Fire Protection-Source Emergency Management

Number of Volunteer Stations 8
Number of Volunteer Members 455
Equipment
Engines 19
Tankers 8
Aerial Units 2
Rescue Units 6
Brush Units 11
Air Units (MD State Police) 8
Miscellaneous Utility Units 8
Ambulance/Medic Units 16
Boat dive units 3
Command Vehicles 8
Canteen 1
Calls for Service- Fire/Rescue 2,191
Calls for Emergency Medical 7,159

County Owned Recreation Facilities-Source Pks & Rec

Parks 10
Parks Acreage 484.72
Public Landings 4
Open Space Acreage Actively Maintained 136.18
Quantity of Public Boat Ramps 3
Special Use Areas and Facilities 5
School/Recreation Park Facilities 4
Acreage under Development for Public Use 14
Protected Park land for Future Development 334