

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



CAROLINE COUNTY, MARYLAND

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

YEAR ENDED JUNE 30, 2017

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

CONTENTS

| | Page(s) |
|--|-----------|
| INTRODUCTORY SECTION | 1 |
| Letter of transmittal | 2 - 8 |
| Certificate of Achievement for Excellence in Financial Reporting | 9 |
| Certain elected and appointed officials | 10 |
| Organization chart | 11 |
| Budget calendar | 12 |
| FINANCIAL SECTION | 13 |
| Independent auditor's report | 14 - 16 |
| Management's discussion and analysis (required supplementary information) | 17 - 34 |
| Basic financial statements: | |
| Government-wide statements: | |
| Statement of net position | 35 |
| Statement of activities | 36 - 37 |
| Governmental fund financial statements: | |
| Balance Sheet | 38 |
| Reconciliation of total governmental fund balance to net position of governmental activities | 39 |
| Statement of revenues, expenditures and changes in fund balance | 40 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities | 41 |
| Proprietary fund financial statements: | |
| Statement of net position | 42 |
| Statement of revenues, expenses and changes in fund net position | 43 |
| Statement of cash flows | 44 |
| Fiduciary fund financial statements: | |
| Statement of fiduciary net position | 45 |
| Statement of changes in fiduciary net position | 46 |
| Component units: | |
| Combining statements of net position | 47 |
| Combining statement of activities | 48 |
| Notes to financial statements | 49 - 102 |
| Required supplementary information: | 103 |
| Budgetary comparison schedule - general fund | 104 - 108 |
| Budgetary comparison schedule - SHS medical transportation | 109 |
| Schedule of the proportionate share of the net pension liability - Maryland State Retirement and Pension Systems | 110 |
| Schedule of contributions - Maryland State Retirement and Pension Systems | 111 |
| Actuarial assumptions - pension plan - Maryland State Retirement and Pension Systems | 112 |

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

STATISTICAL SECTION (continued)

Pages(s)

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



INTRODUCTORY SECTION



COUNTY COMMISSIONERS OF CAROLINE COUNTY

Office of the County Administrator
109 Market Street
Denton, Maryland 21629
(410) 479-0660

October 31, 2017

***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, 2017***, 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, 2017, are presented fairly and

in conformity with Generally Accepted Accounting Procedures. The auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

Generally Accepted Accounting Procedures 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, 2016, the County's population had dropped slightly to 32,850. This change was 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 entered its 100th consecutive month of recovery. This is the third longest uninterrupted period of economic expansion in U.S. history (behind the periods of 1961-1969 & 1991-2001).

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 2017, the unemployment rate in Caroline County was 4 percent, slightly higher than Maryland's 3.9 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.

Well-paying local jobs remain scarce here. Maryland's median household income in 2016 was \$78,945. In Caroline County, it was \$59,563. Of Caroline's roughly 33,000 residents, it is estimated that 14.4 percent live in poverty. Wage growth in Caroline County has been slow, increasing by about two percent since 2010. By most metrics, Caroline is one of the poorest counties in Maryland.

One of the growing issues for Caroline and the larger regional economy is the jobs-skills mismatch. A study from the National Federation of Independent Business reported the share of small business owners reporting job openings they could not fill in May 2017 was the highest since November 2000. 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 also is a high priority as the five Midshore counties support the process of selecting a new president of Chesapeake College, the regional community college.

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.

Economic growth between 2010 and 2015 was an anemic 2.1 percent, well below the level of the previous recovery (2.7%). Growth for 2017 and 2018 is predicted to hover around 2 percent. During the past year, the regional economy benefited from low fuel prices and near zero interest rates. Inflation—the general increase in prices—remained low. Economic concerns remain about an overvalued U.S. equities market and the apparent inability of the federal government to end deficit spending.

As the audit period ended, the ratio of national debt to gross domestic product (GDP) was about 103 percent. Put simply, the U.S. government owes over \$20 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.

Housing Market

Home values and median sales prices are a reasonably accurate economic barometer. At the peak of housing market in 2006, the average home value in Caroline County was \$237,000 and the median sales price reached \$307,000. The local housing market hit bottom in 2013 when the median home value had sunk to \$153,000.

In 2017, according to the Zillow website, "The median home value in Caroline County is \$175,400. Caroline County home values have gone up 2.5% over the past year. The median list price per square foot in Caroline County is \$103, which is lower than the Maryland average of \$174."

On the positive side, housing continues to be relatively affordable even with Caroline County's lower wage rates. Unfortunately, Maryland regulations have made building single-family homes in the unincorporated areas of the County cost prohibitive. The county has seen an increase in multi-family dwelling unit construction inside the incorporated municipalities, but the pace of construction of single-family dwellings remains slow.

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 noted in the Executive Summary of the MD&A, FY 17 marked a second-year of funding an annual capital budget rather than relying on annual budgetary cost savings to fund projects. As the County's financial position continues to improve, the management team recommends expanding capital investment to address the accumulation of deferred maintenance.

Caroline County has adopted a policy to maintain a general (unassigned) fund balance of five percent of total budget expenditures. This fund balance is set aside for exigent circumstances like an emergency or natural disaster and for routine cash flow management. The County has not had occasion to use these funds in the past fiscal year. In the event they are needed, the fund must be replenished within two years. As of June 30, 2017, unreserved fund balance far exceeded the five percent threshold. The management team has recommended the Commissioner increase the general unrestricted reserves to ten percent of the total annual budget.

As noted in the MD&A, a key component of the County Commissioner's long-term financial planning has been the systematic reduction of unfunded liabilities. By the end of FY 17, the pension fund was 82.7 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 is 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 17, the Commissioners left the property tax rate unchanged. The County also approved a working capital budget for the first time since the Great Recession (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 \$30,000/year. All employees received a two-percent pay increase in FY 17 and a \$1,000 annual performance bonus.

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 thirteenth Certificate of Achievement last year. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

The Caroline Way

Caroline is different. Unlike jurisdictions where the budget process is often marked by competition and strife, in Caroline County, department heads and allied agency leaders actively advocate for the needs other than their own. 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 17 audit represents not just careful financial management, but delivery of exceptional value to the citizens of Caroline County.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'K Decker', written in a cursive style.

Ken Decker
Caroline County Administrator

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**The County Commissioners
of Caroline County, Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**Caroline County, Maryland
Governmental Organization
Certain Elected and Appointed Officials
As of June 30, 2017**

Certain Elected Officials

County Commissioners

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

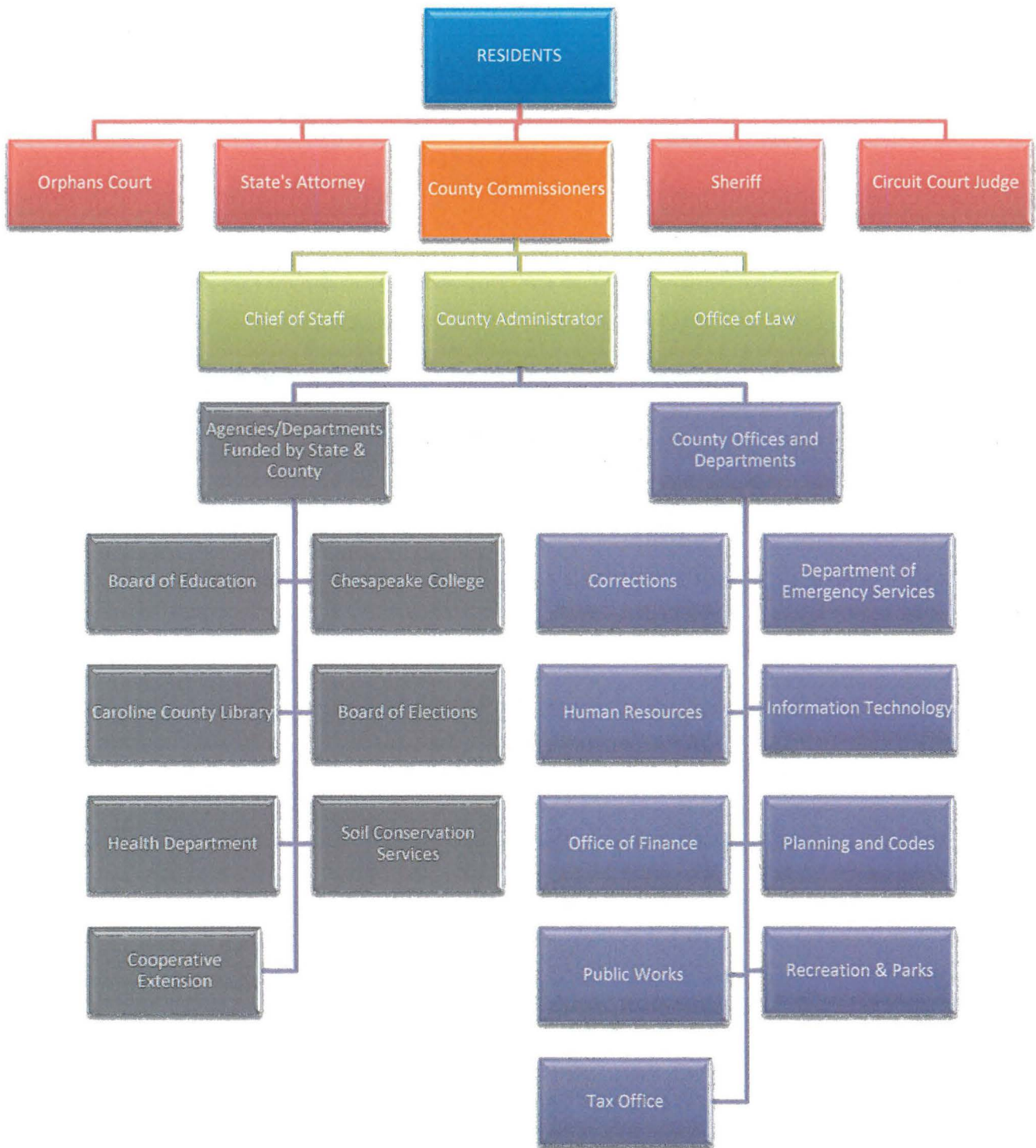
Bond Counsel

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.

REVISED
Caroline County Government
FY2017 Budget Calendar
Dates of Interest



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

| FEBRUARY | | | | | | |
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| MARCH | | | | | | |
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| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

| APRIL | | | | | | |
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| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
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| MAY | | | | | | |
|-----|-----|------|-----|------|----|-----|
| SUN | MON | TUES | WED | THUR | FR | SAT |
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| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

| JUNE | | | | | | |
|------|-----|------|-----|------|----|-----|
| SUN | MON | TUES | WED | THUR | FR | SAT |
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |

January

- 8 Operating & Capital Budget Submittal Requirements Received by Departments & Agencies
- 12 Dinner Meeting/Budget Workshop with Board of Education, 6:30 PM, 204 Franklin St., Denton

February

- 8 All Department & Agency Budget Requests Due to Budget Director
- 16 Budget Requests Presented to County Commissioners by Budget Director
- 23 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
 - 8:30 PM: Annual Municipal Property Tax Differential Meeting

March

- 1 Budget Roundtable Discussions: (HAPS Building, Room 110, 403 S. 7th Street, Denton)
 - 12:30 PM: Internal County Government Departments (Finance, Tax, Human Resources, Law, Commissioners Office/Administration, Information Technology, Public Works, Corrections, Planning & Codes, Recreation & Parks, Emergency Services)
 - 2:00 PM: External Agencies Requesting More than \$25,000 (Board of Education, Library, Chesapeake College, Sheriff's Office, Volunteer Fire Companies, Circuit Court, State's Attorney's Office, Humane Society, Economic Development, Tourism, Health Department, Upper Shore Aging, Delmarva Community Transit, Board of Elections, Cooperative Extension)
- 8 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 15 Budget Preparation Workshop (During Regular County Commissioners Meeting)
- 22 Preparation Workshop (During Regular County Commissioners Meeting)
- 29 Preparation Workshop (Special Afternoon Session at 3:30 PM)
County Commissioners Approve Proposed Budget & Tax Rates for Public Hearing Ads

April

- 26 Public Meetings: Greensboro VFC Community Hall, 13781 Greensboro Rd, Greensboro, MD
 - 7:00 PM: Public Hearings — To Receive Testimony On:
 - Proposed Operating & Capital Budgets
 - Constant Yield Tax Rate
 - Municipal Property Tax Differential Rates

May

- 3 Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 17 Adoption of FY2017 Property Tax Rates (new date)
Budget Finalization Workshop (During Regular County Commissioners Meeting)
- 31 Budget Adoption: Commissioners Adopt FY2017 Operating & Capital Budgets (new date)

June

- 14 Statutory Deadline for Budget Adoption

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.
- Please note that while budget adoption is scheduled for May 31, the date may change if additional budget finalization workshops are necessary. The statutory deadline for budget adoption is June 14.
- 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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, are

presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents is the responsibility of management and has been derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
October 31, 2017

Executive Summary

Management Discussion and Analysis

Caroline County Government, FY 17 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

Few documents are more important and less frequently read than annual financial audits. One reason is that audits are full of numbers and accounting jargon. The Government Accounting Standard Board (GASB) recognized this shortcoming and adopted a requirement that local government audits have an easily-understood introduction called the “Management Discussion and Analysis.” The “MD&A” is written by the senior management team (us) with the goal of conveying the important information in the audit in plain language to taxpayers (you).

Not surprisingly, GASB also strongly encourages local governments to file audits that meet the “Comprehensive Annual Financial Report” or CAFR standard. Meeting this standard means that after a few pages of discussion about Caroline County’s finances, you will find plenty of numbers and accounting jargon.

Before getting into the details, it’s helpful to cover a few basics. The County’s accounting runs on a “fiscal year.” This accounting period begins on July 1 and ends on June 30 of the following year. Fiscal year 17 (or FY 17) ended on June 30, 2017. This audit looks at the County’s finances during those 12 months.

Our financial plan for a fiscal year is our annual budget. Like all local governments in Maryland, Caroline County is required to adopt a balanced budget, one where projected revenues cover projected expenses.

Because the County budgets conservatively, most years we end up “in the black.” That’s accounting slang for receiving more money than we have spent. At the end of FY 17, the County’s General Fund had \$596,348 more in revenues than expenses. This is smaller than the \$1,160,174 surplus in FY 16, probably because the County took a more aggressive approach in budget projections. Let’s talk for a moment about those revenues and expenditures.

Revenues

To explain the audit, it helps to understand the County’s sources of revenues. The two major revenue streams are **property** tax and **income** tax.

The State of Maryland assesses the value of all real estate. The Commissioners set the County’s property tax rate. With the County, there are 10 incorporated municipalities (cities and towns) that impose property taxes as well. The property taxes the County receives are governed by three things: the assessable value of properties, the tax rate, and tax breaks.

In FY 17, the Commissioners adopted the same property tax rate as FY 16—98 cents per \$100 of assessed value. Caroline has the 12th highest property tax rate among Maryland’s 23 counties and Baltimore City, essentially “middle of the pack.”

Income taxes are a bit different. While the State of Maryland collects income taxes, the process is a “black box” for local governments. The State steadfastly refuses to give local governments raw income tax data so the revenue can be difficult to predict. In FY 17, the County Commissioners left the income tax rate unchanged at 2.73%, the sixth lowest in the state. One of the reason for the positive end-of-year balance was income tax revenues coming in higher than expected. In addition to property and income taxes, the County receives a wide range of user fees and grants.

Expenditures

The audit accurately describes what the County spent money on in FY 17, but not why. About 80 percent of County expenditures are mandatory—either a requirement of state law like funding the K-12 education system or paying obligations like debt service. Expenditures like the County’s ambulance system are not technically required, but most residents would consider the service essential for public health and safety.

In addition to its own operations, the County underwrites many allied agencies. This includes the Sheriff’s Office, the County Circuit, the State Attorney’s Office, the Library, Chesapeake College, the Health Department, the Board of Elections, local Volunteer Fire Companies, the Humane Society, Upper Shore Aging, and many others.

In FY 17, the Commissioners increased support for some agencies. For example, the Board approved funding to hire two new “road deputies” for the Sheriff’s Office. The plan is to eventually add five positions bringing the Road Division up to 20 sworn officers. The Commissioners maintained a 20-percent increase in operational funding to local volunteer fire companies. The Board also approved increases to Upper Shore Aging, Delmarva Community Transit, and St. Martin’s Ministries and gave Chesapeake College a two-percent bump as approved by the five regional counties.

By category, Caroline County expenditures broadly 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. We also provide payroll and human resources services for some allied agencies.

The single most important component of County government is people, or what accountants might call “human capital.” Without a highly trained workforce, County government would be little more than empty building and unused equipment.

County wages are roughly in line with other poor Maryland counties like Dorchester. To offset modest wages, the County has traditionally provided outstanding benefits including top drawer health insurance coverage (the State of Maryland plan), a strong pension system, and ample leave time.

In FY 17, the County Commissioners approved an across-the-board pay increase of 2%. The Board also approved a \$1,000 performance bonus for all employees. The “Living Wage” initiative was fully implemented. This plan ensures all full-time, merit employees are paid a living wage. In the audit year, this annual wage was over \$30,000.

Broadly speaking, these expenses fall into the category of “operating,” the routine expenditures required to run the day-to-day business of county government. There is a second—and very important—category of expenditure: Capital.

Capital

Capital is the “stuff” of government like vehicles, heavy equipment, infrastructure, buildings, and property. “Infrastructure” applies not only to roads and bridges, but less tangible assets like software. From an accounting standpoint, an asset with a value greater than \$5,000 and an expected useful life of one year or more qualifies as a capital investment.

Setting aside K-12 schools, public libraries, and property owned by allied agencies, the County owns 399 miles of treated roads, 78 miles of dirt roads, 39 bridges and structures, over 250,000 square feet of buildings, and over \$10 million in vehicles and heavy equipment.

After the Great Recession and massive cuts by Maryland’s state government, capital spending collapsed. In FY 07, Caroline County’s capital improvement plan invested \$3.2 million. The following year, the number fell to \$705,426. It fell steadily until it reached bottom in FY 11 with capital spending of \$32,248. That’s about one percent of the CIP four years earlier.

From FY 12 forward, the Commissioners began an annual process of drawing down reserves (cash) to fund capital. This rite of spring was nicknamed “the sweep” because the County’s reserve account was “swept” to its five percent minimum.

In FY 17, the County returned to funding a formal capital budget. The Commissioners received \$6.56 million in capital requests for the \$3.1 million in funding available. While this was close to the funding level ten years earlier, the years of shortfalls created a problem called “deferred maintenance.”

Capital investments have a finite lifespan. Buildings age and need renovations. Vehicles and heavy equipment wear out. Pushing maintenance and replacement into the future creates short-term savings but much steeper long-term costs. Waiting too long to fix a roof can result in structural damage. Waiting too long to replace vehicles results in much higher maintenance costs and reduced resale value. Deferred maintenance is the cumulative deficit created by pushing expenses into the future.

The capital budget adopted by the Commissioners was a strong step in the right direction, but the County’s budget still has a “structural deficit.” Put simply, the total amount of annual revenues is not enough to fund all operating costs and maintain capital investment at the \$3 million to \$4 million level, roughly the expenditure the County needs to adequately maintain its infrastructure.

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.

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

The pension and OPEB funds are trust accounts. The County contributes money to both funds as an employer. Employees are required to contribute to the pension fund. The money in both funds is invested in accordance with policies adopted by the Commissioners and with the assistance of a professional investment management firm.

As of the end of the fiscal year, the pension fund had \$20,363,944 in assets. According to the County’s actuarial firm, the total pension liability was \$25,945,872. This means there was an unfunded liability of \$5,581,928.

On the positive side, the County’s pension plan is 78.49 percent funded. This is an improvement over the mid 00’s when the percentage dipped below 60 percent. Even better, the County’s OPEB fund is the only such fund in the state that is 100 percent funded.

While the County’s pension and OPEB fund investments have done very well over the past six years, this is not a guarantee of future returns. Because of the long-term economic outlook, the County’s Pension Board has joined many other public agencies in tempering expected investment returns. In FY 17, the expected rate of return was lowered to 7.20 percent. Why does this matter?

If the County only averaged 6.20 percent on its investments, the unfunded liability would jump to \$8,895,347. While invested conservatively, pension and OPEB funds are subject to market fluctuations. A steep drop in the stock market would lower the value of the pension fund and increase the unfunded liability. The decision to continue gradually lowering the expected rate of return will allow the County to invest more conservatively and make the funds more resistant to downturns in the larger economy.

As noted in the previous audit, unfunded liabilities are a big deal for state and local governments. Nationally, the cumulative unfunded pension liability of local and state pension plans is about \$1.4 trillion but this number is calculated using the national average 7.6 percent rate of return. If the rate of return were lowered to the much lower (and safer) Treasury yield, the unfunded liability would rise to about \$5.2 trillion or one-quarter of the entire U.S. national debt of over \$20 trillion.

Municipal Property Tax Differential

Property owners in Caroline's five largest towns receive a break on their County taxes. While not required by law, the Commissioners have continued to provide this benefit, foregoing about \$3.5 million cumulatively in property tax revenues over the past six years. The five smallest towns receive support in the form of direct payments. In FY 17, the Commissioners followed the differential formula established in 2012.

Looking Forward

During the reporting period, the County continued to make slow but measurable budgetary progress. The balance of unrestricted general reserves has increased. The Commissioners funded the Capital Improvement Plan (CIP) and made progress on employee compensation. The County's bond rating remained stable at AA-.

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

Summary

The goal of this executive summary is to explain the annual audit—the snapshot of the County's FY 17 fiscal year—in plain language. FY 17 was a good year that ended with the County collecting more in revenues than it spent in taxes. The County made progress on capital investment and in increasing the wages of our employees. Unfunded liabilities grew smaller and the County remained within its self-imposed cap on debt service (no more than 10 percent of operating revenues).

While FY 17 marked another year of steady financial progress, the County continues to face challenges. The projection for County revenues is flat while expenses continue to rise. The labor market has grown tighter and many County departments have seen increased turnover as employees migrate to better paying jobs in nearby areas. The sharp increase in capital spending has addressed immediate problems, but deferred maintenance remains a very "big ticket item."

Perhaps ending this executive summary with an analogy will help. Caroline County is a very small boat on the ocean of the economy. Through the visionary leadership of the County Commissioners and the dedication of County employees, our boat is far better than it was. In fact, careful reading of this audit will prove that the ship of County finances is as strong as it has been in a decade. While proud of our progress, the senior management team is concerned with what we see as storm clouds on the horizon. Having passed the 100th month of the recovery—the third longest in U.S. history—it is likely there will be an economic downturn within the next 24 months. While cautious, we find hope in a quote by the historian Edmund Gibbon, "The wind and the waves are always on the side of the ablest navigator."

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, 2017. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

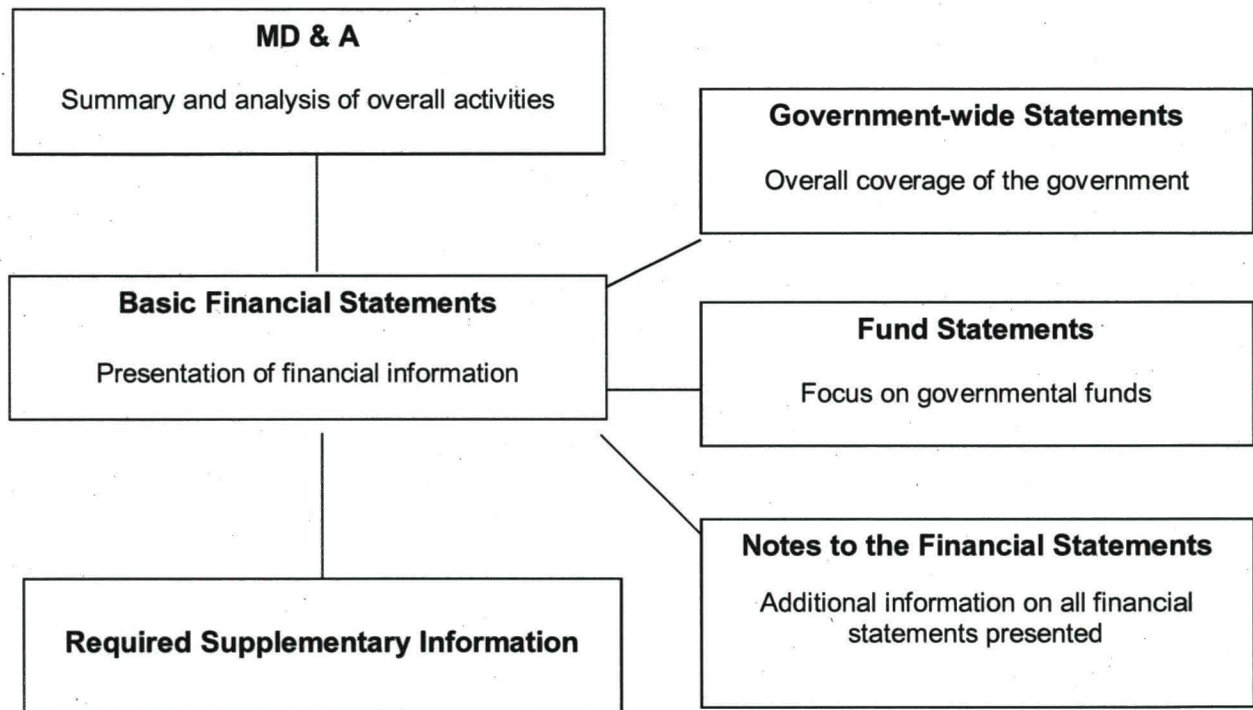
Financial Highlights

- Total fund balance for the General Fund was \$9,162,739 at June 30, 2017.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$39,091,840 (net position). Of total net position \$6,318,940 (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 \$3,418,913 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, 2017, the County's governmental funds reported combined fund balance of \$14.9 million, a decrease of \$.5 million from the prior year. Approximately \$8.9 million is available to meet the County's current and future needs (unassigned fund balance), 0.4 million is assigned, 4.1 million is committed, 1.2 million is restricted and 0.3 million is non-spendable.
- Unassigned fund balance for the General Fund was \$8,886,812 for the year ended June 30, 2017.
- Long-term Liabilities include approximately \$25.9 million in bonds payable, approximately \$4.6 million in loans and notes payable, approximately \$3.5 million in capital leases and landfill closure costs of approximately \$1.1 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 affects of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County Government maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, SHS Medical Transportation Fund, and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found within this report, as listed in the table of contents.

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

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

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

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

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

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

annually adopted budget, and 2) schedules showing the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees. These reports are located immediately following the notes to the financial statements, as listed in the table of contents.

Government-wide Financial Analysis

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other asset | \$ 18,831,295 | \$ 19,648,843 | \$ 1,349,952 | \$ 1,366,507 | \$ 20,181,247 | \$ 21,015,350 |
| Capital assets, net of depreciation | 65,608,435 | 64,001,645 | 975,797 | 698,407 | 66,584,232 | 64,700,052 |
| Total assets | 84,439,730 | 83,650,488 | 2,325,749 | 2,064,914 | 86,765,479 | 85,715,402 |
| Deferred outflow s | 5,083,989 | 4,430,806 | - | - | 5,083,989 | 4,430,806 |
| Noncurrent liabilities | 49,982,809 | 50,896,956 | - | - | 49,982,809 | 50,896,956 |
| Other liabilities | 1,248,747 | 1,797,498 | 374,204 | 255,775 | 1,622,951 | 2,053,273 |
| Total liabilities | 51,231,556 | 52,694,454 | 374,204 | 255,775 | 51,605,760 | 52,950,229 |
| Deferred inflow s | 1,151,868 | 1,523,052 | - | - | 1,151,868 | 1,523,052 |
| Net investment in capital assets | 30,570,337 | 26,457,210 | 975,797 | 698,407 | 31,546,134 | 27,155,617 |
| Restricted | 1,226,766 | 1,238,709 | - | - | 1,226,766 | 1,238,709 |
| Unrestricted | 5,343,192 | 6,167,869 | 975,748 | 1,110,732 | 6,318,940 | 7,278,601 |
| Total net position | \$ 37,140,295 | \$ 33,863,788 | \$ 1,951,545 | \$ 1,809,139 | \$ 39,091,840 | \$ 35,672,927 |

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 \$39.1 million at the close of the most recent fiscal year, which is an increase of \$3.4 million from the previous year.

By far, the largest portion of Caroline County's net position, approximately \$31.6 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; so these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

An additional \$1.2 million of the County's net position is subject to external restrictions on how they may be used. The remaining balance of unassigned net position of \$6.3 million may be used to meet the County's ongoing obligations to its citizens and creditors.

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

Changes in Net Position

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,582,038 | \$ 1,690,136 | \$ 2,633,977 | \$ 2,711,998 | \$ 4,216,015 | \$ 4,402,134 |
| Operating grants | 3,123,366 | 2,606,840 | 588,529 | 623,477 | 3,711,895 | 3,230,317 |
| Capital grants | 1,641,056 | 2,903,324 | - | - | 1,641,056 | 2,903,324 |
| General revenues: | | | | | | |
| Property taxes | 25,320,390 | 25,339,865 | - | - | 25,320,390 | 25,339,865 |
| Other taxes | 16,075,603 | 15,297,429 | - | - | 16,075,603 | 15,297,429 |
| Operating grants (unrestricted) | 2,131,782 | 2,794,257 | - | - | 2,131,782 | 2,794,257 |
| Other | 267,156 | 1,406,023 | - | - | 267,156 | 1,406,023 |
| Total revenues | 50,141,391 | 52,037,874 | 3,222,506 | 3,335,475 | 53,363,897 | 55,373,349 |
| Program expenses: | | | | | | |
| General government | 7,146,867 | 6,399,850 | - | - | 7,146,867 | 6,399,850 |
| Public safety | 14,737,034 | 14,508,616 | - | - | 14,737,034 | 14,508,616 |
| Public works | 4,455,794 | 3,159,719 | - | - | 4,455,794 | 3,159,719 |
| Health | 484,226 | 615,293 | - | - | 484,226 | 615,293 |
| Social services | 218,653 | 146,828 | - | - | 218,653 | 146,828 |
| Primary education | 15,143,859 | 15,532,393 | - | - | 15,143,859 | 15,532,393 |
| Secondary education | 1,562,744 | 1,555,622 | - | - | 1,562,744 | 1,555,622 |
| Recreation and culture | 1,463,349 | 1,401,868 | - | - | 1,463,349 | 1,401,868 |
| Library | 1,205,435 | 1,176,435 | - | - | 1,205,435 | 1,176,435 |
| Conservation and natural resources | 180,565 | 180,629 | - | - | 180,565 | 180,629 |
| Economic development | 458,263 | 406,027 | - | - | 458,263 | 406,027 |
| Interfaith housing | 6,000 | 6,000 | - | - | 6,000 | 6,000 |
| Interest on long-term debt | 1,097,700 | 950,304 | - | - | 1,097,700 | 950,304 |
| Other | - | - | 1,784,495 | 1,898,234 | 1,784,495 | 1,898,234 |
| Total expenses | 48,160,489 | 46,039,584 | 1,784,495 | 1,898,234 | 49,944,984 | 47,937,818 |
| Excess (deficiency) before transfers | 1,980,902 | 5,998,290 | 1,438,011 | 1,437,241 | 3,418,913 | 7,435,531 |
| Net transfer in (out) | 1,295,605 | 1,214,467 | (1,295,605) | (1,214,467) | - | - |
| Change in net position | 3,276,507 | 7,212,757 | 142,406 | 222,774 | 3,418,913 | 7,435,531 |
| Net position, beginning of year | 33,863,788 | 26,651,031 | 1,809,139 | 1,586,365 | 35,672,927 | 28,237,396 |
| Net position, end of year | \$ 37,140,295 | \$ 33,863,788 | \$ 1,951,545 | \$ 1,809,139 | \$ 39,091,840 | \$ 35,672,927 |

Governmental activities show an increase of \$3,276,507. Business-type activities showed an increase in net position of \$142,406.

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 2017. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the Southern District, as assessed by the State of Maryland Department of Assessments and Taxation.

The local economy began to retract during FY 2008 and this trend has only slightly improved in FY 2017. FY 2017 income taxes revenues indicate employment is modestly recovering however a continuing declining real estate market have continued to erode Property tax revenues. Property taxes remained level, 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 affect on future property tax revenue will occur.

Business-type activities. The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee 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 \$56,505 in FY 2017 compared to an increase in FY 2016 of \$34,686.

The Emergency Medical Services (EMS) Fund or Basic Life Support (BLS) Fund was established to collect fees from patients of the system through insurance billing. The fees collected support both paid County EMS personnel and certified volunteers who provide services through a shared arrangement. Revenue collected through charges for services decreased by \$6,078 from FY 2016 to FY 2017. Expenses of the programs increased \$13,388.

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 \$ 61,392 an increase of \$ 18,410 compared to FY 2016.

Combined business-type activities generated \$1,438,011 in net revenues over expenses, with \$ 1,295,605 transferred to governmental activities. This resulted in net position increasing by \$ 142,406 from FY 2016.

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 \$14.9 million. Approximately \$8.9 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 2018 budget; and 3) for contingencies.

The General Fund is the primary fund of the Caroline County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 8.9 million, while total fund balance was \$9.2 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 \$ 596,348 in FY 2017.
- Property tax revenue remained stable as assessments were flat and there was no change in the tax rate.
- Income tax remained stable from FY 2016 and was estimated conservatively. The over budget figure was \$984,120.
- Recordation tax increased \$102,896 from FY16 and was \$304,858 over budget.
- Departments primarily stayed within their budgets.

Fund balance of the Capital Improvements fund decreased from the previous year. The key factors are as follows:

- Garland Bridge Road cost exceeded funding received for the project.
- Preston Elementary School funding given to the Board of Education.

In the FY 2017 budget, the Caroline County Commissioners took the following actions:

- Employees received a two percent increase in pay for all County employees.
- Departments were budgeted at flat or modest budget increases compared to the FY 2016 budget.
- The Sheriff's Office added two road deputies.
- EMS continued towards more fulltime and less part time staff.
- The Fire Companies received a 20% increase.

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 \$1,809,139 in 2016 to \$1,951,545 in FY 2017.

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 Improvement Fund Highlights

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

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

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$66.6 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 | |
|--|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| 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 | 138,082 | 109,109 | - | - | 138,082 | 109,109 |
| Infrastructure | 11,047,271 | 9,595,976 | - | - | 11,047,271 | 9,595,976 |
| Buildings | 9,597,277 | 10,165,696 | - | - | 9,597,277 | 10,165,696 |
| Utilities | 1,414,154 | 1,444,620 | - | - | 1,414,154 | 1,444,620 |
| Improvements | 4,406,225 | 4,199,010 | 975,797 | 698,407 | 5,382,022 | 4,897,417 |
| Machinery and equipment | 7,365,617 | 6,847,425 | - | - | 7,365,617 | 6,847,425 |
| Total | \$ 65,608,435 | \$ 64,001,645 | \$ 975,797 | \$ 698,407 | \$ 66,584,232 | \$ 64,700,052 |

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

Long-term debt. At the end of the current fiscal year, the County had capital loans, conditional loans and bonds outstanding in the amount of \$30.4 million, which are backed by the full faith and credit of the County.

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

June 30, 2017

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--------------------------|------------------------------------|-------------------------------------|--------------|
| General obligation bonds | \$25,860,938 | \$- | \$25,860,938 |

During the current fiscal year, the County’s general obligation bonds decreased by \$ 2.3 million. There were no new general obligation bonds.

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 4.7% in June 2017. The State’s average was 4.1%. 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 2018.

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

The County maintained the same Income Tax rate of 2.73%.

The FY 2018 budget is not projected to include Fund Balance, and is requiring departments to remain within budgeted amounts. The Commissioners gave a 3% across the board raise to County Employees. The Fund Balance is projected to fund \$2,000,000 for Capital Expenditures. Revenue projections are still extremely uncertain due to the slow economic recovery from recession.

• ¹ Monthly Labor Review June 2017 Maryland Department of Labor, Licensing and Regulation
www.dllr.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

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF NET POSITION
June 30, 2017

| | Primary Government | | | |
|---------------------------------------|----------------------------|-----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Component Units |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 12,103,825 | \$ 1,172,290 | \$ 13,276,115 | \$ 12,886,636 |
| Deposits | 114,446 | - | 114,446 | - |
| Taxes receivable | 172,409 | - | 172,409 | - |
| Accounts receivable | 1,067,553 | 177,662 | 1,245,215 | 506,732 |
| Other receivables | - | - | - | - |
| Prepaid expenses | 30,158 | - | 30,158 | 8,051 |
| Inventories | 245,769 | - | 245,769 | 36,620 |
| Due from other governments | 1,897,839 | - | 1,897,839 | 1,857,467 |
| Prepayment of OPEB | 2,536,851 | - | 2,536,851 | - |
| Other assets | 662,445 | - | 662,445 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 514,862 |
| Capital assets: | | | | |
| Nondepreciable assets | 31,777,891 | - | 31,777,891 | 238,327 |
| Depreciable assets, net | 33,830,544 | 975,797 | 34,806,341 | 90,034,415 |
| Total assets | 84,439,730 | 2,325,749 | 86,765,479 | 106,083,110 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pensions (see Note 8) | 5,083,989 | - | 5,083,989 | 1,392,855 |
| LIABILITIES: | | | | |
| Accounts payable | 861,562 | 105,724 | 967,286 | 381,725 |
| Accrued expenses | 237,199 | - | 237,199 | 7,453,155 |
| Unearned revenue | 364,151 | 12,836 | 376,987 | 441,784 |
| Internal balances, net | (255,644) | 255,644 | - | - |
| Other liabilities | 41,479 | - | 41,479 | - |
| Non-current liabilities: | | | | |
| Net pension liability (see Note 8) | 11,298,561 | - | 11,298,561 | 4,693,266 |
| Due within one year | 3,576,690 | - | 3,576,690 | 550,703 |
| Due in more than one year | 35,107,558 | - | 35,107,558 | 48,019,296 |
| Total liabilities | 51,231,556 | 374,204 | 51,605,760 | 61,539,929 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions (see Note 8) | 1,151,868 | - | 1,151,868 | 294,547 |
| NET POSITION: | | | | |
| Net investment in capital assets | 30,570,337 | 975,797 | 31,546,134 | 86,562,978 |
| Restricted for: | | | | |
| Special Grants | 4,669 | - | 4,669 | - |
| OJP Grants Law Enforcement | 5,419 | - | 5,419 | - |
| Revolving Loan | 207,216 | - | 207,216 | - |
| MEAF Revolving Loan | 155,795 | - | 155,795 | - |
| Equitable Sharing Task Force | 20,576 | - | 20,576 | - |
| Commissary Account | 12,025 | - | 12,025 | - |
| Law Library | - | - | - | - |
| Drug Task Force | 175,921 | - | 175,921 | - |
| Dayspring Townhomes | 645,145 | - | 645,145 | - |
| Library - fund purposes | - | - | - | 62,645 |
| Unrestricted | 5,343,192 | 975,748 | 6,318,940 | (40,984,134) |
| Total net position | \$ 37,140,295 | \$ 1,951,545 | \$ 39,091,840 | \$ 45,641,489 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | | Component Units |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total Net Expense/Revenue | |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 7,146,867 | \$ 641,151 | \$ 892,915 | \$ - | \$ (5,612,801) | \$ - | \$ (5,612,801) | \$ - |
| Public Safety | 14,737,034 | 531,936 | 1,333,622 | - | (12,871,476) | - | (12,871,476) | - |
| Public Works | 4,455,794 | 285,438 | 449,900 | 1,482,430 | (2,238,026) | - | (2,238,026) | - |
| Health | 484,226 | 120 | - | - | (484,106) | - | (484,106) | - |
| Social services | 218,653 | 1,872 | - | - | (216,781) | - | (216,781) | - |
| Primary education | 15,143,859 | - | - | - | (15,143,859) | - | (15,143,859) | - |
| Secondary education | 1,562,744 | - | - | - | (1,562,744) | - | (1,562,744) | - |
| Library | 1,205,435 | - | - | - | (1,205,435) | - | (1,205,435) | - |
| Recreation and culture | 1,458,349 | 103,144 | 141,093 | 158,626 | (1,055,486) | - | (1,055,486) | - |
| Arts | 5,000 | - | - | - | (5,000) | - | (5,000) | - |
| Conservation of natural resources | 180,565 | 18,377 | 70,867 | - | (91,321) | - | (91,321) | - |
| Interfaith housing | 6,000 | - | - | - | (6,000) | - | (6,000) | - |
| Economic development | 458,263 | - | 234,969 | - | (223,294) | - | (223,294) | - |
| Interest on long-term debt | 1,097,700 | - | - | - | (1,097,700) | - | (1,097,700) | - |
| Total governmental activities | 48,160,489 | 1,582,038 | 3,123,366 | 1,641,056 | (41,814,029) | - | (41,814,029) | - |
| Business-type activities: | | | | | | | | |
| Basic life support | 325,710 | 1,491,360 | - | - | - | 1,165,650 | 1,165,650 | - |
| Recreation | 783,456 | 253,932 | 588,529 | - | - | 59,005 | 59,005 | - |
| Broadband supply | 161,515 | 313,479 | - | - | - | 151,964 | 151,964 | - |
| Public works | 513,814 | 575,206 | - | - | - | 61,392 | 61,392 | - |
| Total business-type activities | 1,784,495 | 2,633,977 | 588,529 | - | - | 1,438,011 | 1,438,011 | - |
| Total primary government | \$ 49,944,984 | \$ 4,216,015 | \$ 3,711,895 | \$ 1,641,056 | (41,814,029) | 1,438,011 | (40,376,018) | - |
| COMPONENT UNITS: | | | | | | | | |
| Board of Education of Caroline Co. | \$ 90,619,656 | \$ 4,915,260 | \$ 11,313,068 | \$ 1,250,379 | - | - | - | (73,140,949) |
| Board of Library Trustees of Caroline Co. | 1,822,312 | 14,519 | 162,310 | - | - | - | - | (1,645,483) |
| Total component units | \$ 92,441,968 | \$ 4,929,779 | \$ 11,475,378 | \$ 1,250,379 | - | - | - | (74,786,432) |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2017

| | 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 | \$ 25,320,390 | \$ - | \$ 25,320,390 | \$ - |
| Income taxes | 13,434,120 | - | 13,434,120 | - |
| Recordation tax | 1,704,858 | - | 1,704,858 | - |
| School construction excise tax | 140,458 | - | 140,458 | - |
| Transfer taxes | 512,869 | - | 512,869 | - |
| Franchise tax | 188,217 | - | 188,217 | - |
| Other local taxes | 95,081 | - | 95,081 | - |
| Disparity grant not restricted to specific program | 2,131,782 | - | 2,131,782 | - |
| Interest and investment earnings | 83,369 | - | 83,369 | 56,789 |
| Other income | 183,787 | - | 183,787 | 648,441 |
| County and State appropriations | - | - | - | 66,476,432 |
| Net transfers in (out) | 1,295,605 | (1,295,605) | - | - |
| Total general revenues and transfers | 45,090,536 | (1,295,605) | 43,794,931 | 67,181,662 |
| Change in net position | 3,276,507 | 142,406 | 3,418,913 | (7,604,770) |
| Net position - beginning | 33,863,788 | 1,809,139 | 35,672,927 | 53,246,259 |
| Net position - ending | \$ 37,140,295 | \$ 1,951,545 | \$ 39,091,840 | \$ 45,641,489 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

| | General Fund | SHS Medical Transportation | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 8,155,725 | \$ 274,464 | \$ 2,327,604 | \$ 1,346,032 | \$ 12,103,825 |
| Deposits | - | - | 114,446 | - | 114,446 |
| Receivables: | | | | | |
| Taxes | 172,409 | - | - | - | 172,409 |
| Accounts | 42 | - | 749,734 | 317,777 | 1,067,553 |
| Due from other funds | 321,452 | - | 531,440 | 853 | 853,745 |
| Due from other governments | 1,897,839 | - | - | - | 1,897,839 |
| Prepaid items | 30,158 | - | - | - | 30,158 |
| Material and supplies, at cost | 245,769 | - | - | - | 245,769 |
| Other assets | - | - | - | 662,445 | 662,445 |
| Total assets | \$ 10,823,394 | \$ 274,464 | \$ 3,723,224 | \$ 2,327,107 | \$ 17,148,189 |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 645,677 | \$ - | \$ 55,006 | \$ 160,879 | \$ 861,562 |
| Accrued items | 235,021 | - | - | 2,178 | 237,199 |
| Due to other funds | 531,440 | - | - | 66,661 | 598,101 |
| Due to other governments | - | - | - | 800 | 800 |
| Unearned revenues | 67,578 | 274,464 | - | 22,109 | 364,151 |
| Other liabilities | 14,745 | - | - | 25,934 | 40,679 |
| Total liabilities | 1,494,461 | 274,464 | 55,006 | 278,561 | 2,102,492 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 166,194 | - | - | - | 166,194 |
| Fund balance: | | | | | |
| Non-spendable | 275,927 | - | - | - | 275,927 |
| Restricted | - | - | - | 1,226,766 | 1,226,766 |
| Committed | - | - | 3,668,218 | 424,469 | 4,092,687 |
| Assigned | - | - | - | 415,125 | 415,125 |
| Unassigned | 8,886,812 | - | - | (17,814) | 8,868,998 |
| Total fund balance | 9,162,739 | - | 3,668,218 | 2,048,546 | 14,879,503 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 10,823,394 | \$ 274,464 | \$ 3,723,224 | \$ 2,327,107 | \$ 17,148,189 |

See accompanying notes.

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

June 30, 2017

| | | |
|---|----|--------------|
| Total Governmental Fund Balance | \$ | 14,879,503 |
| 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 | | 65,608,435 |
| Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds | | - |
| Deferred outflow of resources - County pension (see Note 8) | | 3,566,584 |
| Deferred inflow of resources - County pension (see Note 8) | | (845,784) |
| Net pension liability - County pension (see Note 8) | | (5,581,928) |
| Deferred outflow of resources - Maryland State pension (see Note 8) | | 1,517,405 |
| Deferred inflow of resources - Maryland State pension (see Note 8) | | (306,084) |
| Net pension liability - Maryland State pension (see Note 8) | | (5,716,633) |
| Prepayment of OPEB | | 2,536,851 |
| 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 | | 166,194 |
| 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 | | (30,448,341) |
| Bond premiums | | (117,951) |
| Unpaid vacation and sick pay benefits | | (1,010,235) |
| Accrued landfill liability | | (1,106,041) |
| Dayspring Townhomes | | (2,530,583) |
| Capital leases | | (3,471,097) |
| Net position of Governmental Activities | \$ | 37,140,295 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2017

| | General Fund | SHS Medical Transportation | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 41,182,166 | \$ - | \$ 512,869 | \$ 162,762 | \$ 41,857,797 |
| License and permits | 224,509 | - | - | 120 | 224,629 |
| Intergovernmental revenues | 3,862,407 | 205,536 | 1,615,844 | 551,214 | 6,235,001 |
| Charges for services | 797,806 | - | - | 15,035 | 812,841 |
| Miscellaneous revenues | 247,758 | - | 217,700 | 557,569 | 1,023,027 |
| Total revenues | 46,314,646 | 205,536 | 2,346,413 | 1,286,700 | 50,153,295 |
| Expenditures: | | | | | |
| General government | 5,320,842 | - | 317,410 | 375,099 | 6,013,351 |
| Public safety | 13,302,368 | - | 1,093,190 | 436,904 | 14,832,462 |
| Public works | 3,283,484 | - | 3,248,880 | 29,998 | 6,562,362 |
| Health | 471,281 | - | - | 12,945 | 484,226 |
| Social services | 218,653 | - | - | - | 218,653 |
| Primary education | 13,983,229 | - | 1,159,630 | - | 15,142,859 |
| Secondary education | 1,659,666 | - | - | - | 1,659,666 |
| Public Library | 1,147,435 | - | 58,000 | - | 1,205,435 |
| Recreation and parks | 931,814 | - | 301,692 | 91,155 | 1,324,661 |
| Arts | 5,000 | - | - | - | 5,000 |
| Conservation of natural resources | 136,414 | - | - | - | 136,414 |
| Interfaith housing | 6,000 | - | - | - | 6,000 |
| Economic development | 218,967 | - | - | 239,296 | 458,263 |
| Contingency | 319,456 | - | - | - | 319,456 |
| Debt Service: | | | | | |
| Principal | 2,499,565 | - | - | - | 2,499,565 |
| Interest and fiscal charges | 1,097,700 | - | - | - | 1,097,700 |
| Total expenditures | 44,601,874 | - | 6,178,802 | 1,185,397 | 51,966,073 |
| Excess (deficiency) of revenues over expenditures | 1,712,772 | 205,536 | (3,832,389) | 101,303 | (1,812,778) |
| Other financing sources (uses): | | | | | |
| Transfers in / (out) | (1,116,424) | (205,536) | 2,673,564 | (55,999) | 1,295,605 |
| Total other financing sources (uses) | (1,116,424) | (205,536) | 2,673,564 | (55,999) | 1,295,605 |
| Net change in fund balances | 596,348 | - | (1,158,825) | 45,304 | (517,173) |
| Fund balances, beginning | 8,578,142 | - | 4,827,043 | 2,003,242 | 15,408,427 |
| Change in reserve for materials and supplies | (11,751) | - | - | - | (11,751) |
| Fund balances, ending | \$ 9,162,739 | \$ - | \$ 3,668,218 | \$ 2,048,546 | \$ 14,879,503 |

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, 2017

| | | |
|---|----|-------------|
| Net change in fund balance - Governmental Funds | \$ | (517,173) |
| <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> | | 4,995,505 |
| <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> | | (47,173) |
| <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> | | 2,904,487 |
| <p>Governmental funds report the collection of long-term receivables as revenues. However, in the government-wide statements, these collections are reported as a reduction of long-term receivable.</p> | | (21,594) |
| <p>Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.</p> | | (11,904) |
| <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) | | 218,789 |
| Change in deferred inflow of resources - County pension (see Note 8) | | 328,494 |
| Change in net pension liability - County pension (see Note 8) | | (444,928) |
| Change in deferred outflow of resources - Maryland State pension (see Note 8) | | 434,394 |
| Change in deferred inflow of resources - Maryland State pension (see Note 8) | | 42,690 |
| Change in net pension liability - Maryland State pension (see Note 8) | | (1,545,412) |
| Decrease in net OPEB prepaid | | 293,625 |
| Decrease in reserve for materials and supplies | | (11,751) |
| Depreciation expense | | (3,341,542) |
| Change in net position of Governmental Activities | \$ | 3,276,507 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

| | Broadband Supply Fund | Other Proprietary Funds | Total |
|----------------------------------|--------------------------|----------------------------|---------------------|
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ - | \$ 1,172,290 | \$ 1,172,290 |
| Accounts receivable | 23,750 | 153,912 | 177,662 |
| Total current assets | 23,750 | 1,326,202 | 1,349,952 |
| Noncurrent assets: | | | |
| Capital assets, net | 956,394 | 19,403 | 975,797 |
| Total assets | 980,144 | 1,345,605 | 2,325,749 |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable | 1,096 | 104,628 | 105,724 |
| Unearned revenue | - | 12,836 | 12,836 |
| Due to other funds | 255,644 | - | 255,644 |
| Total current liabilities | 256,740 | 117,464 | 374,204 |
| Noncurrent liabilities: | | | |
| Long-term debt | - | - | - |
| Total liabilities | 256,740 | 117,464 | 374,204 |
| NET POSITION: | | | |
| Invested in capital assets | 956,394 | 19,403 | 975,797 |
| Unrestricted | (232,990) | 1,208,738 | 975,748 |
| Total net position | \$ 723,404 | \$ 1,228,141 | \$ 1,951,545 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2017

| | Broadband Supply Fund | Other Proprietary Funds | Total |
|--|--------------------------|----------------------------|--------------|
| Operating revenues: | | | |
| Charges for services | \$ 313,479 | \$ 2,320,498 | \$ 2,633,977 |
| Total operating revenues | 313,479 | 2,320,498 | 2,633,977 |
| Operating expenses: | | | |
| Personnel services | 21,564 | 512,446 | 534,010 |
| Operations and maintenance | 19,488 | 1,108,544 | 1,128,032 |
| Depreciation expense | 120,463 | 1,990 | 122,453 |
| Total operating expenses | 161,515 | 1,622,980 | 1,784,495 |
| Operating income (loss) | 151,964 | 697,518 | 849,482 |
| Nonoperating revenues (expenses): | | | |
| Intergovernmental revenues | - | 588,529 | 588,529 |
| Total nonoperating revenues (expenses) | - | 588,529 | 588,529 |
| Transfers in (out) | - | (1,295,605) | (1,295,605) |
| Change in net position | 151,964 | (9,558) | 142,406 |
| Net position, beginning of year | 571,440 | 1,237,699 | 1,809,139 |
| Net position, end of year | \$ 723,404 | \$ 1,228,141 | \$ 1,951,545 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED June 30, 2017

| | Broadband Supply Fund | Other Proprietary Funds | Total |
|---|--------------------------|----------------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 338,730 | \$ 2,364,184 | \$ 2,702,914 |
| Cash paid to suppliers | (68,361) | (1,087,400) | (1,155,761) |
| Cash paid to employees | (21,564) | (512,446) | (534,010) |
| Net cash provided (used) by operating activities | 248,805 | 764,338 | 1,013,143 |
| Cash flows from noncapital financing activities: | | | |
| Intergovernmental | - | 588,529 | 588,529 |
| Transfers in (out) | - | (1,295,605) | (1,295,605) |
| Receipt (payment) of interfund loan | 151,038 | 501 | 151,539 |
| Net cash (used) provided by noncapital financing activities | 151,038 | (706,575) | (555,537) |
| Cash flows from capital and financing activities | | | |
| Acquisition of capital assets | (399,843) | - | (399,843) |
| Net cash provided (used) by capital and financing activities | (399,843) | - | (399,843) |
| Net increase (decrease) in cash and cash equivalents | - | 57,763 | 57,763 |
| Cash and cash equivalents, beginning of year | - | 1,114,527 | 1,114,527 |
| Cash and cash equivalents, end of year | \$ - | \$ 1,172,290 | \$ 1,172,290 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 151,964 | \$ 697,518 | \$ 849,482 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 120,463 | 1,990 | 122,453 |
| (Increase) decrease in accounts receivable | 25,251 | 47,695 | 72,946 |
| (Increase) decrease in prepaid expense | - | 1,372 | 1,372 |
| Increase (decrease) in accounts payable | (48,873) | 19,772 | (29,101) |
| Increase (decrease) in unearned revenue | - | (4,009) | (4,009) |
| Net cash provided (used) by operating activities | \$ 248,805 | \$ 764,338 | \$ 1,013,143 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

| | <u>Agency Funds</u> | <u>Employee Benefit Trust Funds</u> |
|---|---------------------|---|
| ASSETS: | | |
| Cash and cash equivalents | \$ 640,172 | \$ 328,748 |
| Investments at fair value: | | |
| Fixed income | - | 8,098,177 |
| Equity funds | - | 20,058,794 |
| <hr/> | | |
| Total investments at fair value | - | 28,156,971 |
| <hr/> | | |
| Taxes and other receivables | 71,547 | - |
| <hr/> | | |
| Total assets | \$ 711,719 | \$ 28,485,719 |
| <hr/> <hr/> | | |
| LIABILITIES: | | |
| Accounts payable | 119,507 | - |
| Due to property owners | 399,822 | - |
| Due to other governments | 191,039 | - |
| Due to participants | 1,351 | - |
| <hr/> | | |
| Total liabilities | \$ 711,719 | - |
| <hr/> <hr/> | | |
| NET POSITION: | | |
| Net position restricted for employee benefits | | \$ 28,485,719 |
| <hr/> <hr/> | | |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED June 30, 2017

| | Employee benefit Trust Funds |
|---------------------------------|---------------------------------|
| Additions: | |
| Contributions: | |
| Plan sponsor | \$ 1,284,345 |
| Employee | 155,812 |
| Gains | 2,518,138 |
| Interest, dividends and gains | 651,333 |
| <hr/> | |
| Total additions | 4,609,628 |
| <hr/> | |
| Deductions: | |
| Benefits paid | 1,389,557 |
| Losses | - |
| Administrative fees | 97,245 |
| <hr/> | |
| Total deductions | 1,486,802 |
| <hr/> | |
| Change in net position | 3,122,826 |
| Net position, beginning of year | 25,362,893 |
| <hr/> | |
| Net position, end of year | \$ 28,485,719 |
| <hr/> <hr/> | |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2017

| | Board of Education of Caroline County | Board of Library Trustees of Caroline County | Total |
|---------------------------------------|---|--|----------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 12,517,694 | \$ 368,942 | \$ 12,886,636 |
| Accounts receivable | 453,567 | 53,165 | 506,732 |
| Prepaid expenses | - | 8,051 | 8,051 |
| Inventories | 36,620 | - | 36,620 |
| Due from other governments | 1,857,467 | - | 1,857,467 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 514,862 | 514,862 |
| Nondepreciable assets | 238,327 | - | 238,327 |
| Depreciable assets, net | 89,145,241 | 889,174 | 90,034,415 |
| Total assets | 104,248,916 | 1,834,194 | 106,083,110 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 1,392,855 | - | 1,392,855 |
| LIABILITIES: | | | |
| Accounts payable | 365,115 | 16,610 | 381,725 |
| Accrued expenses | 7,401,853 | 51,302 | 7,453,155 |
| Unearned revenue | 406,814 | 34,970 | 441,784 |
| Accrued compensated absences | - | 12,416 | 12,416 |
| Long-term liabilities: | | | |
| Net pension liability | 4,693,266 | - | 4,693,266 |
| Due within one year | 550,703 | - | 550,703 |
| Due in more than one year | 48,006,880 | - | 48,006,880 |
| Total liabilities | 61,424,631 | 115,298 | 61,539,929 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 294,547 | - | 294,547 |
| NET POSITION: | | | |
| Net investment in capital assets | 85,673,804 | 889,174 | 86,562,978 |
| Restricted for: | | | |
| Fund purposes | - | 62,645 | 62,645 |
| Unrestricted (deficit) | (41,751,211) | 767,077 | (40,984,134) |
| Total net position | \$ 43,922,593 | \$ 1,718,896 | \$ 45,641,489 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2017

| 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 | \$ 90,619,656 | \$ 4,915,260 | \$ 11,313,068 | \$ 1,250,379 | \$ (73,140,949) | \$ - | \$ (73,140,949) |
| Board of Library Trustees of Caroline County | 1,822,312 | 14,519 | 162,310 | - | - | (1,645,483) | (1,645,483) |
| Total component units | \$ 92,441,968 | \$ 4,929,779 | \$ 11,475,378 | \$ 1,250,379 | (73,140,949) | (1,645,483) | (74,786,432) |
| General revenues: | | | | | | | |
| County appropriations | | | | | 13,983,229 | 1,202,435 | 15,185,664 |
| State appropriations | | | | | 50,860,322 | 430,446 | 51,290,768 |
| Interest and investment earnings | | | | | 52,797 | 3,992 | 56,789 |
| Miscellaneous | | | | | 621,209 | 27,232 | 648,441 |
| Total general revenue | | | | | 65,517,557 | 1,664,105 | 67,181,662 |
| Change in net position | | | | | (7,623,392) | 18,622 | (7,604,770) |
| Net position - beginning | | | | | 51,545,985 | 1,700,274 | 53,246,259 |
| Net position - ending | | | | | \$ 43,922,593 | \$ 1,718,896 | \$ 45,641,489 |

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017

Note 1. Summary of significant accounting policies (continued)

B. Basic Financial Statements (continued)

Fund Financial Statements

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

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017

Note 1. Summary of significant accounting policies (continued)

D. Financial Statement Amounts (continued)

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

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

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

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

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

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

Capital Assets: Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County and the Board of Education as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Library defines capital assets as assets having an initial individual cost of more than \$500 and an estimated useful life in excess of one year. For the primary government and component units, donated capital assets, 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, 2017

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) for changes in assumptions, for the net difference between projected and actual investment earnings on pension plan investments and contributions subsequent to the measurement date. These amounts deferred and recognized as an outflow of resources in the period that the amounts become available.

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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:

| | Restricted | Committed | Assigned |
|--------------------------------------|---------------------|---------------------|-------------------|
| Capital Improvements: | | | |
| General government | \$ - | \$ 22,296 | \$ - |
| Public safety | - | 465,244 | - |
| Public works | - | 2,120,597 | - |
| Primary education | - | 213,459 | - |
| Recreation and culture | - | 96,622 | - |
| Required reserve | - | 750,000 | - |
| Other Governmental funds: | | | |
| Special Grants Fund | 4,669 | - | - |
| OJP Grants Law Enforcement | 5,419 | - | - |
| Revolving Loan Fund | 207,216 | - | - |
| MEAF Revolving Loan | 155,795 | - | - |
| Equitable Sharing Task Force | 20,576 | - | - |
| Local Agricultural Land Preservation | - | 45,600 | - |
| State Agricultural Land Preservation | - | 8,314 | - |
| Summerfest | - | - | 4,860 |
| Commissary Account | 12,025 | - | - |
| Critical Area Forestry | - | 35,275 | - |
| Forest Conservation | - | 23,533 | - |
| Business and Tech Park | - | - | 59,224 |
| Health Department | - | - | 351,041 |
| Drug Task Force | 175,921 | - | - |
| Dayspring Townhomes | 645,145 | - | - |
| Educational Facilities | - | 311,747 | - |
| Total | \$ 1,226,766 | \$ 4,092,687 | \$ 415,125 |

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3. Cash Deposits and Investments

Primary Government

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

Cash Deposits: At year-end, the carrying amount of the County's deposits was \$2,397,971 and the bank balance was \$2,933,553, 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 | \$ 10,878,144 |

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, 2017, 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, 2017

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 | \$ 328,748 |
| Fixed income - < 1 year | 754,231 |
| Fixed income - 1-5 years | 3,447,196 |
| Fixed income - 5-10 years | 3,772,637 |
| Fixed income - 10+ years | 124,113 |
| Equity funds | 20,058,794 |
| Total | \$28,485,719 |

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, 2017 was \$0 and \$0 for the Employees' Pension Plan and the OPEB Trust, respectively.

Component Units

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$1,416,962 and the bank balance was \$3,094,244. 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 \$71,259 and the bank balance was \$122,363, 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 | \$ 11,100,732 |

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

| Investment Type | Fair Value |
|---|------------|
| Maryland Local Government Investment Pool | \$ 812,545 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | Interfund Receivable | Interfund Payable | Net Receivable (Payable) |
|---------------------------------|-------------------------|----------------------|--------------------------------|
| Governmental Funds: | | | |
| General Fund | \$ 321,452 | \$ 531,440 | \$ (209,988) |
| Capital Improvements | 531,440 | - | 531,440 |
| Other Governmental Funds | 853 | 66,661 | (65,808) |
| Total Governmental Funds | 853,745 | 598,101 | 255,644 |
| Proprietary Funds: | | | |
| Broadband Supply Fund | - | 255,644 | (255,644) |
| Other Proprietary Funds | - | - | - |
| Total Proprietary Funds | - | 255,644 | (255,644) |
| Total | \$ 853,745 | \$ 853,745 | \$ - |

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, 2017

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, 2017, 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, 2017 is as follows:

| | Transfers In | Transfers Out | Net In (Out) |
|---------------------------------|---------------------|---------------------|--------------------|
| Governmental Funds: | | | |
| General Fund | \$ 1,370,605 | \$ 2,487,029 | \$ (1,116,424) |
| SHS Medical Transportation | (205,536) | - | (205,536) |
| Capital Improvements | 2,673,564 | - | 2,673,564 |
| Other Governmental Funds | 224,537 | 280,536 | (55,999) |
| Total Governmental Funds | 4,063,170 | 2,767,565 | 1,295,605 |
| Proprietary Funds: | | | |
| Broadband Supply Fund | - | - | - |
| Other Proprietary Funds | - | 1,295,605 | (1,295,605) |
| Total Proprietary Funds | - | 1,295,605 | (1,295,605) |
| Total | \$ 4,063,170 | \$ 4,063,170 | \$ - |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6. Capital assets

Caroline County

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

| | Beginning Balance | Increases | Transfers / Decreases | Ending Balance |
|---|----------------------|---------------------|--------------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 14,586,835 | \$ - | \$ - | \$ 14,586,835 |
| Non-depreciable infrastructure | 17,052,974 | - | - | 17,052,974 |
| Construction in progress | 109,109 | 1,986,324 | (1,957,351) | 138,082 |
| Total capital assets, not depreciated | 31,748,918 | 1,986,324 | (1,957,351) | 31,777,891 |
| Capital assets, depreciated: | | | | |
| Infrastructure | 29,728,197 | 521,154 | 1,888,442 | 32,137,793 |
| Buildings | 29,273,028 | 254,276 | - | 29,527,304 |
| Utilities | 1,523,324 | - | - | 1,523,324 |
| Improvements | 10,586,364 | 740,712 | (27,878) | 11,299,198 |
| Machinery and equipment | 19,295,679 | 1,493,039 | (488,593) | 20,300,125 |
| Total capital assets, depreciated | 90,406,592 | 3,009,181 | 1,371,971 | 94,787,744 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | (20,132,221) | (958,301) | - | (21,090,522) |
| Buildings | (19,107,332) | (822,695) | - | (19,930,027) |
| Utilities | (78,704) | (30,466) | - | (109,170) |
| Improvements | (6,387,354) | (559,008) | 53,389 | (6,892,973) |
| Machinery and equipment | (12,448,254) | (971,072) | 484,818 | (12,934,508) |
| Total accumulated depreciation | (58,153,865) | (3,341,542) | 538,207 | (60,957,200) |
| Total capital assets, depreciated, net | 32,252,727 | (332,361) | 1,910,178 | 33,830,544 |
| Governmental activities capital assets, net | \$ 64,001,645 | \$ 1,653,963 | \$ (47,173) | \$ 65,608,435 |
| Business-type activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - |
| Capital assets, depreciated: | | | | |
| Building and improvements | 1,086,829 | 399,843 | - | 1,486,672 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | (388,422) | (122,453) | - | (510,875) |
| Total capital assets, depreciated, net | 698,407 | 277,390 | - | 975,797 |
| Business-type activities capital assets, net | \$ 698,407 | \$ 277,390 | \$ - | \$ 975,797 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 | \$ | 820,418 |
| Public safety | | 789,646 |
| Public works | | 1,351,127 |
| Recreation and culture | | 336,200 |
| Conservation of natural resources | | 44,151 |

| | | |
|--|----|-----------|
| Total depreciation expense - Governmental Activities | \$ | 3,341,542 |
|--|----|-----------|

Business-type Activities:

| | | |
|------------------|----|---------|
| Broadband supply | \$ | 120,463 |
| Public works | | 1,990 |

| | | |
|---|----|---------|
| Total depreciation expense - business-type activities | \$ | 122,453 |
|---|----|---------|

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6. Capital assets (continued)

Board of Education

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2017 was as follows:

| <u>Governmental Activities</u> | Beginning Balance | Increases | Transfers / Decreases | Ending Balance |
|---|----------------------|---------------------|--------------------------|----------------------|
| Capital assets, not depreciated: | | | | |
| Construction in progress | \$ 17,449,734 | \$ 32,998 | \$ (17,449,734) | \$ 32,998 |
| Land | 205,329 | - | - | 205,329 |
| Total capital assets, not depreciated | 17,655,063 | 32,998 | (17,449,734) | 238,327 |
| Capital assets, depreciated: | | | | |
| Buildings and improvements | 106,804,141 | 1,398,446 | 17,449,734 | 125,652,321 |
| Furniture and equipment | 1,810,181 | 87,809 | - | 1,897,990 |
| Software | 675,517 | - | - | 675,517 |
| Vehicles | 2,389,791 | 238,843 | (168,792) | 2,459,842 |
| Total capital assets, depreciated | 111,679,630 | 1,725,098 | 17,280,942 | 130,685,670 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | (35,944,056) | (2,396,672) | - | (38,340,728) |
| Furniture and equipment | (1,202,258) | (66,238) | - | (1,268,496) |
| Software | (648,503) | (13,432) | - | (661,935) |
| Vehicles | (1,418,691) | (174,311) | 168,792 | (1,424,210) |
| Total accumulated depreciation | (39,213,508) | (2,650,653) | 168,792 | (41,695,369) |
| Total capital assets, depreciated, net | 72,466,122 | (925,555) | 17,449,734 | 88,990,301 |
| Governmental activities capital assets, net | \$ 90,121,185 | \$ (892,557) | \$ - | \$ 89,228,628 |
| Business-type activities: | | | | |
| Equipment | \$ 981,858 | \$ 11,202 | \$ - | \$ 993,060 |
| Software | 27,122 | - | - | 27,122 |
| Vehicles | 55,670 | - | - | 55,670 |
| Total capital assets being depreciated | 1,064,650 | 11,202 | - | 1,075,852 |
| Less: accumulated depreciation: | | | | |
| Equipment | (829,131) | (15,101) | - | (844,232) |
| Software | (27,122) | - | - | (27,122) |
| Vehicles | (45,482) | (4,076) | - | (49,558) |
| Total accumulated depreciation | (901,735) | (19,177) | - | (920,912) |
| Business-type activities capital assets, net | \$ 162,915 | \$ (7,975) | \$ - | \$ 154,940 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6. Capital assets (continued)

Depreciation expense for the fiscal year ended June 30, 2017 was charged to governmental functions as follows:

| | | |
|-------------------------------|----|-----------|
| Administration | \$ | 68,195 |
| School management and support | | 28,339 |
| Other instructional costs | | 2,400,350 |
| Pupil transportation | | 106,487 |
| Maintenance of plant | | 47,282 |
| <hr/> | | |
| Total depreciation expense | \$ | 2,650,653 |

Library

Capital asset activity for the Library for the year ended June 30, 2017 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------|----------------------|-----------|-------------|-------------------|
| Capital assets: | | | | |
| Furnishings and equipment | \$ 714,127 | \$ 92,344 | \$ (59,343) | \$ 747,128 |
| Vehicles | 29,899 | - | - | 29,899 |
| Leasehold improvements | 529,421 | 4,230 | - | 533,651 |
| Books and materials | 778,373 | 85,344 | (161,479) | 702,238 |
| <hr/> | | | | |
| | 2,051,820 | 181,918 | (220,822) | 2,012,916 |
| <hr/> | | | | |
| Accumulated depreciation: | | | | |
| Furnishings and equipment | (608,089) | (36,317) | 59,343 | (585,063) |
| Vehicles | (29,899) | - | - | (29,899) |
| Leasehold improvements | (108,255) | (26,054) | - | (134,309) |
| Books and materials | (430,192) | (105,758) | 161,479 | (374,471) |
| <hr/> | | | | |
| | (1,176,435) | (168,129) | 220,822 | (1,123,742) |
| <hr/> | | | | |
| Net capital assets | \$ 875,385 | \$ 13,789 | \$ - | \$ 889,174 |

Governmental activities depreciation expense was \$168,129 for the fiscal year ended June 30, 2017.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

| | Balance July 01, 2016 | Additions | Retirements and Repayments | Balance June 30, 2017 | Current Portion |
|--|--------------------------|-------------------|----------------------------------|--------------------------|---------------------|
| Governmental activities: | | | | | |
| Bonds and loans | \$ 32,716,769 | \$ - | \$ 2,268,428 | \$ 30,448,341 | \$ 2,336,296 |
| Bond premiums | 124,723 | - | 6,772 | 117,951 | 6,772 |
| Unpaid vacation and sick pay benefits | 1,182,320 | 511,000 | 683,085 | 1,010,235 | 895,000 |
| Accrued landfill liability | 1,235,184 | - | 129,143 | 1,106,041 | - |
| Dayspring Townhomes | 2,530,583 | - | - | 2,530,583 | - |
| Capital leases | 3,799,156 | - | 328,059 | 3,471,097 | 338,622 |
| | \$ 41,588,735 | \$ 511,000 | \$ 3,415,487 | \$ 38,684,248 | \$ 3,576,690 |

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, 2017 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, 2017

Note 7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2017 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 | \$ 4,985,000 |
| 2008 Public Improvement Bond | 3.25-5.0% | 2008 | 2028 | 5,600,000 | 3,615,000 |
| Refunding Bond of 2009 | 2.0-4.375% | 2009 | 2037 | 7,785,000 | 3,905,000 |
| Public Improvements Bond of 2009 | 1.60-6.10% | 2009 | 2030 | 7,700,000 | 6,390,000 |
| Public Improvements Refunding Bond of 2011 | 2.000% | 2011 | 2016 | 3,736,000 | - |
| 2014 Public Improvement Bond | 2.5-3.125% | 2015 | 2035 | 7,205,000 | 6,875,000 |
| Jonestown Bond | 2.375% | 2015 | 2054 | 95,000 | 90,938 |
| 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 | 1,358,767 |
| Chesapeake College | 5.506% | 2000 | 2020 | 535,000 | 109,506 |
| Chesapeake College | 3.500% | 2003 | 2023 | 155,000 | 61,601 |
| | | | | <u>\$ 49,863,529</u> | <u>\$ 30,448,341</u> |
| Other components: | | | | | |
| Bond premiums | | | | | 117,951 |
| Long-term portion of unpaid vacation and sick pay benefits | | | | | 1,010,235 |
| Accrued landfill liability | | | | | 1,106,041 |
| Long-term obligations of Dayspring Townhomes | | | | | 2,530,583 |
| Capital leases | | | | | 3,471,097 |
| | | | | | <u>\$ 38,684,248</u> |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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, 2017 are as follows:

| Fiscal Year Ending June 30 | Governmental Activities | | Total Requirement |
|-------------------------------|-------------------------|---------------------|----------------------|
| | Principal | Interest | |
| 2018 | \$ 2,336,296 | \$ 1,072,423 | \$ 3,408,719 |
| 2019 | 2,358,926 | 982,919 | 3,341,845 |
| 2020 | 2,461,795 | 896,752 | 3,358,547 |
| 2021 | 2,521,633 | 803,090 | 3,324,723 |
| 2022 | 2,649,902 | 703,490 | 3,353,392 |
| 2023 - 2027 | 7,818,465 | 2,465,411 | 10,283,876 |
| 2028 - 2032 | 5,199,846 | 882,232 | 6,082,078 |
| 2033 - 2037 | 1,991,987 | 154,138 | 2,146,125 |
| thereafter | 51,962 | 13,160 | 65,122 |
| | <u>\$ 27,390,812</u> | <u>\$ 7,973,615</u> | <u>\$ 35,364,427</u> |

The County received loans from the Department of Housing and Community Development, a state agency, which were used by an agent to construct housing for low-income families (the Dayspring Townhomes project). Development, construction and equipping of the project was financed in part by a long-term mortgage in the amount of \$2,530,583 (as of June 30, 2017) 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, 2017

Note 7. Long-term obligations (continued)

On December 22, 2009, the County issued its "Public Improvements Bonds of 2009", which are taxable Build America Bonds. These bonds provide for a 33 percent federal subsidy on the total interest payments. The interest is paid to the County on a semiannual basis corresponding with the interest payment dates to the bondholders. The interest requirements for this bond in the accompanying schedule of maturities are shown at the gross amount. The remaining federal subsidy totals \$1,019,923 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:

| Employees | Plan |
|---|---|
| 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, 2017

Note 8. Retirement Plans (continued)

Summary of Significant Plan Provisions

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

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

Participation: Each eligible employee automatically becomes a participant of the Plan as of the date of employment. Appointed Officials who are appointed on or after July 1, 2013 who are not participants prior to their appointment are not eligible to participate in the Plan. Contracted employees are not eligible to participate in the Plan. The following table summarizes the membership of the system as of July 1, 2015, the valuation date:

| | |
|---|-----|
| Inactive plan members (or their beneficiaries) currently receiving benefits | 84 |
| Inactive plan members entitled to but not yet receiving benefits | 23 |
| Active plan members | 169 |
| <hr/> | |
| Total | 276 |
| <hr/> | |

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Retirement Plans (continued)

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

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

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

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

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

Vesting percentage: Under the provisions of the Plan, pension benefits vest 0% for the first five years of service, 50% at the end of the fifth year of service, and an additional 10% at the end of each year until 100% vesting occurs after year ten (10). Orphans' 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, 2017

Note 8. Retirement Plans (continued)

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

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

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

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

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

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

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Retirement Plans (continued)

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

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

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

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

Changes in Plan Provisions: None.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016 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 | 7.20%, 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, 2017

Note 8. Retirement Plans (continued)

Investments

Investment Performance: The average investment return for the fund on a market basis for the year ended June 30, 2015 was 3.43%.

The plan utilizes an actuarial averaging method to smooth out swings in investment performance and thus in asset values from year to year. Under the method, investment gains or losses above or below the 7.25% actuarial assumption (which was decreased to 7.20% as of July 1, 2015) are phased in over a four year period. The average investment return on an actuarial value basis for the year ended June 30, 2015 was 7.34%.

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

- The rate of return on the actuarial value of assets of 7.34% was more than the expected rate of 7.25% for the plan year ended June 30, 2015. This gain decreased costs.
- The Participant contribution percentage increased from 0.5% to 1.0% for participants hired before July 1, 2013. This phased-in increase decreased the County's contribution requirement.

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 6.20 % | Current Discount Rate 7.20 % | 1 % Increase to 8.20 % |
|-----------------------|---------------------------|------------------------------------|---------------------------|
| Net pension liability | \$ 8,895,347 | \$ 5,581,928 | \$ 2,828,008 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Retirement Plans (continued)

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

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

| | Increase / (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| June 30, 2015 | \$ 24,386,225 | \$ 19,249,225 | \$ 5,137,000 |
| Changes for the year: | | | |
| Service cost | 527,053 | - | 527,053 |
| Interest | 1,710,004 | - | 1,710,004 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 439,130 | - | 439,130 |
| Changes of assumptions | 155,794 | - | 155,794 |
| Contributions - employer | - | 2,143,000 | (2,143,000) |
| Contributions - member | - | 115,267 | (115,267) |
| Net investment income | - | 128,786 | (128,786) |
| Benefit payments, including refunds of member contributions | (1,272,334) | (1,272,334) | - |
| Administrative expense | - | - | - |
| Other | - | - | - |
| Net Changes | 1,559,647 | 1,114,719 | 444,928 |
| June 30, 2016 | \$ 25,945,872 | \$ 20,363,944 | \$ 5,581,928 |

Plan fiduciary net position as a percentage of the total pension liability 78.49%

The components of pension expense, is as follows:

| Description | Amount |
|---------------------------------------|---------------------|
| The change in: | |
| Deferred outflows of resources | \$ (218,789) |
| Deferred inflows of resources | (328,494) |
| Net pension liability | 444,928 |
| Current year contributions | 1,179,330 |
| Total pension expense (income) | \$ 1,076,975 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 8. Retirement Plans (continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 376,397 | \$ 314,661 |
| Changes of assumptions | 550,360 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,460,497 | 531,123 |
| Year end June 30, 2017 contributions | 1,179,330 | - |
| Total | \$ 3,566,584 | \$ 845,784 |

The \$1,179,330 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|---------------------|
| 2017 | \$ 261,356 |
| 2018 | 261,357 |
| 2019 | 526,918 |
| 2020 | 384,793 |
| 2021 | 22,056 |
| Thereafter | 84,990 |
| Total | \$ 1,541,470 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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:

| Employees | Plan |
|--|------------------|
| 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, 2017

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 units 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, 2017

Note 8. Retirement Plans (continued)

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

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

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

Service Retirement Allowances

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

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

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017

Note 8. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | In the 2015 and 2016 actuarial valuations, 2.70% general, 3.20% wage. |
| Salary Increases | In the 2015 and 2016 actuarial valuations, 3.30% to 9.20% including inflation. |
| Investment Rate of Return | In the 2015 and 2016 actuarial valuations, 7.55%. |
| Discount Rate | 7.55% |
| Investment Rate of Return | 7.55% |
| 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 | 37% | 6.6% |
| Private Equity | 10% | 7.4% |
| Rate Sensitive | 20% | 1.3% |
| Credit Opportunity | 9% | 4.2% |
| Real Assets | 15% | 4.7% |
| Absolute Return | 9% | 3.7% |
| 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, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 8. Retirement Plans (continued)

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

| System | 1% Decrease to 6.55% | Current Discount | 1% Increase to 8.55% |
|--------|-------------------------|---------------------|-------------------------|
| County | \$ 7,852,291 | \$ 5,716,633 | \$ 3,939,445 |
| Board | 6,446,610 | 4,693,266 | 3,234,224 |

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

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers beginning in fiscal year 2017. 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 2017 was \$1,528,849, net of a \$115,786 adjustment in accordance with Chapter 5 of the Laws of Maryland - 2017 Session (House Bill 1109).

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, 2017

Note 8. Retirement Plans (continued)

At June 30, 2017, 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) | \$ 4,693,266 |
| State's proportionate share of the net pension liability (Teachers' System) | 52,612,087 |
| <hr/> | |
| Total | \$ 57,305,353 |

The net pension liability was measured as of June 30, 2016, 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, 2016, under the GASB No. 67 requirements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Retirement Plans (continued)

At June 30, 2017, the County reported the following related to pensions:

| | Board | County |
|---|---------------------|---------------------|
| Employer's proportionate (percentage) of the collective net pension liability | 0.0198918% | 0.0242292% |
| Employer's proportionate share of the collective net pension liability | \$ 4,693,266 | \$ 5,716,633 |
| Pension expense recognized by the employer for the year ended June 30, 2017 | \$ 2,088,012 | \$ 1,068,328 |
| Deferred outflows of resources, June 30, 2016 | \$ 1,019,721 | \$ 1,083,011 |
| Year end June 30, 2016 contributions | (408,942) | (472,004) |
| Difference between expected and actual experience | 465,539 | 567,049 |
| Amortization of items allowed by GASB 68 | (146,268) | (146,326) |
| Year end June 30, 2017 contributions | 462,805 | 485,675 |
| Deferred outflows of resources June 30, 2017 | \$ 1,392,855 | \$ 1,517,405 |
| Deferred inflows of resources June 30, 2016 | \$ 348,293 | \$ 348,774 |
| Difference between expected and actual experience | 51,422 | 62,635 |
| Amortization of items allowed by GASB 68 | (105,168) | (105,325) |
| Deferred inflows of resources June 30, 2017 | \$ 294,547 | \$ 306,084 |
| NPL June 30, 2016 | \$ 4,170,028 | \$ 4,171,221 |
| Change in NPL factored for contributions | 523,238 | 1,545,412 |
| NPL June 30, 2017 | \$ 4,693,266 | \$ 5,716,633 |

The \$462,805 and \$485,675 of deferred outflows of resources resulting from the Board and County's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows/inflows of resources will be amortized over approximately a five year period.

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

| | Deferred Outflows | | Deferred Inflows |
|--------------|---|-----------------------|---|
| | Difference between expected and actual experience | Change in assumptions | Difference between expected and actual experience |
| June 30, | | | |
| 2018 | 245,213 | 42,875 | (118,200) |
| 2019 | 245,213 | 42,875 | (118,200) |
| 2020 | 233,614 | 42,875 | (30,417) |
| 2021 | 141,761 | 37,304 | (28,134) |
| 2022 | - | - | (11,133) |
| Total | 865,801 | 165,929 | (306,084) |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Retirement Plans (continued)

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

| June 30, | Deferred Outflows | | Deferred Inflows |
|----------|---|-----------------------|---|
| | Difference between expected and actual experience | Change in assumptions | Difference between expected and actual experience |
| 2018 | 219,789 | 42,863 | (115,738) |
| 2019 | 219,789 | 42,863 | (115,738) |
| 2020 | 208,208 | 42,863 | (28,105) |
| 2021 | 116,384 | 37,291 | (25,826) |
| 2022 | - | - | (9,140) |
| Total | 764,170 | 165,880 | (294,547) |

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 | \$ 11,797,159 | \$ 1,527,583 | \$ - |
| Board of Education | 46,003,047 | 37,308,221 | 4,493,188 |
| Library | 859,690 | 708,760 | 144,919 |

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 \$55,120 for the year ended June 30, 2017.

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 \$13,227 to this plan for the year ended June 30, 2017.

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, 2017

Note 9. Other postemployment benefits

Caroline County

Plan Description

The Caroline County Postemployment Benefits Trust Fund (the "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare benefits to eligible retirees and their surviving spouses and dependents. Chapter 49 of the Code of Public Laws of Caroline County provides the authority to establish and amend benefit plans. Eligible participants include former employees of the County, and/or their surviving spouse and dependents, with at least 20 years of service with the County, who are eligible for and receiving pension benefits through the County's pension plan. Employees retiring with State or other pension plans are ineligible. Under the terms of the Plan, the County pays the cost of an individual membership for Medicare supplementary insurance coverage. Participants in the Plan are responsible for paying all of their health care costs that exceed the amount of the County's contribution. As of July 1, 2015, the date of the last actuarial valuation, approximately 51 retirees and their beneficiaries were receiving benefits, and an estimated 169 active employees are potentially eligible to receive future benefits. The Plan does not issue a separate audited GAAP-basis postemployment benefit plan report.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County Commissioners. Effective January, 2009, the County created the "Other Postemployment Benefits Trust" (the "Trust") in order to arrange for the establishment of a reserve to pay promised future healthcare benefits for employee services that have already occurred. The County intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB 45. The County pays for the current cost of coverage on a pay as you go basis, from the General Fund. For the year ended June 30, 2017, the County paid for coverage at a total cost of \$89,798. The County made \$260,827 in contributions to the Trust during the year ended June 30, 2017.

Annual OPEB Cost and Net OPEB Obligation

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Other postemployment benefits (continued)

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

| | |
|--|----------------|
| Annual required contribution (ARC) | \$ 17,000 |
| NOO amortization | 192,000 |
| Interest on NOO | (152,000) |
| <hr/> | |
| Annual OPEB cost | 57,000 |
| Contributions - pay as you go | (89,798) |
| Contributions - trust | (260,827) |
| <hr/> | |
| Increase in net OPEB prepaid | (293,625) |
| Net OPEB obligation/(prepaid) at beginning of year | (2,243,226) |
| <hr/> | |
| Net OPEB obligation/(prepaid) at end of year | \$ (2,536,851) |

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

| Year Ended | Annual OPEB Cost | Contributions Made | Percentage Contributed | Net OPEB Obligation/ (Prepaid) |
|---------------|------------------|--------------------|------------------------|-----------------------------------|
| June 30, 2015 | \$ 199,000 | \$ 239,788 | 120.50% | \$ (2,176,940) |
| June 30, 2016 | \$ 57,000 | \$ 123,286 | 216.29% | \$ (2,243,226) |
| June 30, 2017 | \$ 57,000 | \$ 350,625 | 615.13% | \$ (2,536,851) |

Funded Status and Funding Progress

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Other postemployment benefits (continued)

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the actuarial cost method used was Entry Age Normal. The actuarial assumptions included a 7.0 percent discount rate, 0.0 percent payroll increase and the medical trend rate for the HRA contribution and Medical Supplemental Plan subsidy is assumed to increase 5.0% annually. Assets are valued at market value. The UAAL is being amortized over a closed level dollar period of 19 years from July 1, 2017.

Board of Education of Caroline County

Plan Description

The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Board. The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, age 62 with 5 years of service, and 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2016, the census date of the last actuarial valuation, approximately 380 retirees and their beneficiaries were receiving benefits, and an estimated 690 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board provides dental and basic major medical insurance (Medicare supplemental program for those over 65) for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees and to make such coverage available on a 100% reimbursement basis for dependents, spouses and non-eligible retirees. Eligible retirees are all employees who are under 65 years old and hired after July 1, 2013 with fifteen years of service in Caroline County; teachers who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1977 with five years of service in Caroline County; and classified employees who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1981 with five years service in Caroline County. At age 65, eligible retirees with at least fifteen years of service will receive free Medicare Supplementary Program coverage, up to the dollar amount of the current individual insurance allowance. The Board pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2017, the Board paid for coverage of 386 retirees at a total cost to the Board of \$2,325,327.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Other postemployment benefits (continued)

Funding Policy (continued)

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

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

In May 2009, 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, as 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.

Annual OPEB Cost and Net OPEB Obligation

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Other postemployment benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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

| | |
|---|----------------------|
| Annual required contribution (ARC) | \$ 9,234,000 |
| Amortization of the net OPEB obligation | (1,861,000) |
| Interest on net OPEB obligation | 1,498,000 |
| <u>Annual OPEB cost</u> | <u>8,871,000</u> |
| <u>Contributions made</u> | <u>(2,325,327)</u> |
| Increase in net OPEB obligation | 6,545,673 |
| <u>Net OPEB obligation at beginning of year</u> | <u>37,450,816</u> |
| <u>Net OPEB obligation at end of year</u> | <u>\$ 43,996,489</u> |

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

| Year Ended June 30, | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation |
|------------------------|------------------------------|-------------------------------------|---------------------------|
| 2015 | \$ 6,904,000 | 28.84% | \$ 32,556,259 |
| 2016 | \$ 7,296,000 | 32.91% | \$ 37,450,816 |
| 2017 | \$ 8,871,000 | 26.21% | \$ 43,996,489 |

Funding Status and Funding Progress

As of July 1, 2016, the plan was 1.10% funded. The actuarial accrued liability (AAL) for benefits was \$102.9 million with \$882,945 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$102.0 million. The annual payroll of active employees covered by the Plan was \$37.3 million and the ratio of the UAAL to covered payroll was 272.68%. As of June 30, 2017, there was \$1.1 million held in trust for other post-employment benefits.

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 9. Other postemployment benefits (continued)

Investments

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 and best estimates of real rates of return for each major asset class included in the target asset allocations as of June 30, 2017:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|--------------|--|----------------------|
| Equity | 5.73 % | 59.90 % |
| Fixed income | 2.48 % | 37.10 % |
| Cash | 1.00 % | 3.00 % |
| Total | | 100.00 % |

For the year ended June 30, 2017, the total rate of return, net of investment expense, was 10.52%. 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.

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the cost method used was the projected unit credit, with linear pro-ration to assumed benefit commencement date. Assets are valued using market value of assets. The actuarial assumptions include a 4% investment return per annum, a 2.3% rate of inflation, and a 3.5% payroll increase. The projected annual healthcare cost trend rate is 6.0% initially, reduced by decrements to an ultimate rate of 3.9% and is based upon the Cadillac Tax Calculator using inputs from the output of the Society of Actuaries Long Term Medical Trend Model released in 2016. The UAAL is being amortized over a closed twenty-two year period based on a level percentage of projected payrolls.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10. Fiduciary segment information

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

| | Employee Benefit Trusts | | | |
|--|----------------------------|---------------------|------------------------|----------------------|
| | Employees' Pension Plan | OPEB Trust | Retiree Health Care | Totals |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 267,284 | \$ 47,072 | \$ 14,392 | \$ 328,748 |
| Investments at fair value: | | | | |
| Fixed income | 6,419,828 | 1,678,349 | - | 8,098,177 |
| Equity funds | 15,891,902 | 4,166,892 | - | 20,058,794 |
| Total investments at fair value | 22,311,730 | 5,845,241 | - | 28,156,971 |
| Due from other funds | - | - | - | - |
| Total assets | 22,579,014 | 5,892,313 | 14,392 | 28,485,719 |
| NET POSITION: | | | | |
| Held in trust for participants | \$ 22,579,014 | \$ 5,892,313 | \$ 14,392 | \$ 28,485,719 |
| Additions: | | | | |
| Contributions: | | | | |
| Plan sponsor | \$ 1,023,518 | \$ 260,827 | \$ - | \$ 1,284,345 |
| Employee | 155,812 | - | - | 155,812 |
| Gains | 1,967,424 | 550,714 | - | 2,518,138 |
| Interest and dividends | 531,534 | 119,788 | 11 | 651,333 |
| Total additions | 3,678,288 | 931,329 | 11 | 4,609,628 |
| Deductions: | | | | |
| Benefits paid | 1,384,557 | 5,000 | - | 1,389,557 |
| Losses | - | - | - | - |
| Administrative fees | 78,661 | 18,584 | - | 97,245 |
| Total deductions | 1,463,218 | 23,584 | - | 1,486,802 |
| Change in net position | 2,215,070 | 907,745 | 11 | 3,122,826 |
| Net position, beginning of year | 20,363,944 | 4,984,568 | 14,381 | 25,362,893 |
| Net position, end of year | \$ 22,579,014 | \$ 5,892,313 | \$ 14,392 | \$ 28,485,719 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11. Leases

County

Capital lease - Capital lease obligations at June 30, 2017 consist of the following:

| | June 30, 2016 | Additions | Payments | June 30, 2017 |
|---|---------------|-----------|------------|---------------|
| Motorola Radio lease, interest at 3.22%; payable in annual installments of \$450,392, including interest through 2026 | \$ 3,799,156 | \$ - | \$ 328,059 | \$ 3,471,097 |
| | \$ 3,799,156 | \$ - | \$ 328,059 | \$ 3,471,097 |

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

| <u>Fiscal Year Ending June 30</u> | |
|---|--------------|
| 2018 | \$ 450,392 |
| 2019 | 450,392 |
| 2020 | 450,392 |
| 2021 | 450,392 |
| 2022 | 450,392 |
| 2023 - 2027 | 1,801,567 |
| | 4,053,527 |
| Less amounts representing interest | 582,430 |
| Present value of net minimum lease payments | \$ 3,471,097 |

Interest expense on the above capital lease was approximately \$122,000 for the year ended June 30, 2017.

The cost of items acquired under capital lease arrangements, as included in capital assets totaled \$4,299,156 and the related accumulated depreciation was \$523,615 at June 30, 2017.

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, 2017 totaled approximately \$48,000. These leases expire at various dates through 2022.

At June 30, 2017, the County has contractual agreements requiring approximately the following annual rental payments:

| <u>Fiscal Year Ending June 30</u> | |
|-----------------------------------|-----------|
| 2018 | \$ 26,000 |
| 2019 | 21,000 |
| 2020 | 15,000 |
| 2021 | 6,000 |
| 2022 | 4,000 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 were \$13,704.

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

| <u>Fiscal Year Ending June 30</u> | |
|-----------------------------------|-----------|
| 2018 | \$ 13,704 |
| 2019 | 13,704 |
| 2020 | 13,704 |
| 2021 | 13,704 |
| 2022 | 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, 2017 consist of the following:

| | June 30, 2016 | Additions | Payments | June 30, 2017 |
|---|---------------|-----------|------------|---------------|
| Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017 | \$ 134,747 | \$ - | \$ 88,766 | \$ 45,981 |
| Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025 | 2,313,022 | - | 182,168 | 2,130,854 |
| 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 | 1,594,155 | - | 61,226 | 1,532,929 |
| | \$ 4,041,924 | \$ - | \$ 332,160 | \$ 3,709,764 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11. Leases (continued)

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

| <u>Fiscal Year Ending June 30</u> | |
|---|--------------|
| 2018 | \$ 446,220 |
| 2019 | 429,168 |
| 2020 | 542,757 |
| 2021 | 564,665 |
| 2022 | 587,926 |
| 2023 - 2027 | 1,351,049 |
| 2028 - 2030 | 509,465 |
| | 4,431,250 |
| Less amounts representing interest | 721,486 |
| Present value of net minimum lease payments | \$ 3,709,764 |

Interest expense on the above capital leases was approximately \$143,000 for the year ended June 30, 2017.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$5,464,040 and the related accumulated depreciation was \$890,636 at June 30, 2017.

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> | |
|-----------------------------------|------------|
| 2018 | \$ 281,000 |
| 2019 | 285,000 |
| 2020 | 117,000 |
| 2021 | - |
| 2022 | - |

Rent expense under these leases totaled approximately \$468,000 for the year ended June 30, 2017.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined the Local Government Insurance Trust (LGIT) to handle potential losses. LGIT is a consortium of Maryland local governments, created to provide insurance coverage and services to Maryland local government. The County continues to carry commercial insurance for all other risks of loss, including worker's compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

The County purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The County is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to the Alliance to cover potential shortfalls, are 8% of total premiums. Currently, the Alliance keeps on hand 16% as a recommended conservative reserve. All funds held by the Alliance are restricted to being used only for health care expenses.

During 2016, the County withdrew from the Alliance and as a result received a \$1,260,827 and \$116,582 refund in 2016 and 2017, respectively, which was included in general fund miscellaneous revenue on the statement of revenues, expenditures and changes in fund balance.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 23.82% financial interest in the Midshore Regional Landfill. In the event that expenditures exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest; however, to date additional funding from the County has not been required nor does management anticipate it.

Total closure and post closure costs for the landfills are \$16.5 million, with approximately \$3.9 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 \$4.6 million as of June 30, 2017, 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 \$19.9 million. As of June 30, 2017, \$4.7 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, 2016. MES expects to satisfy these requirements as of June 30, 2017 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, 2017

Note 14. Commitments and contingencies

Legal actions

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

Federal and state funding

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

Contingent liability

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

State of Maryland v. Brian Wynne

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 15. Required fund disclosures

The following funds had expenditures exceed budgeted amounts.

| | <u>Budget</u> | | <u>Actual</u> | | <u>Variance</u> |
|----------------------------|---------------|----|---------------|----|-----------------|
| Jonestown water system | \$ 13,250 | \$ | 29,998 | \$ | (16,748) |
| 4-H park | 37,379 | | 43,185 | | (5,806) |
| Special grants | 115,000 | | 234,969 | | (119,969) |
| OJP grant law enforcement | 43,144 | | 48,912 | | (5,768) |
| Summerfest fund | 39,200 | | 47,971 | | (8,771) |
| Law library | 10,050 | | 13,585 | | (3,535) |
| Critical area forestry | 2,000 | | 5,160 | | (3,160) |
| Emergency management grant | 250,291 | | 263,771 | | (13,480) |

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Taxes – property: | | | | |
| Real and personal property, net | \$ 24,852,260 | \$ 24,852,260 | \$ 25,104,060 | \$ 251,800 |
| Penalties, interest and fees | 275,000 | 275,000 | 228,234 | (46,766) |
| Total taxes - property | 25,127,260 | 25,127,260 | 25,332,294 | 205,034 |
| Taxes – income | 12,450,000 | 12,450,000 | 13,434,120 | 984,120 |
| Taxes – other local: | | | | |
| Recordation | 1,400,000 | 1,400,000 | 1,704,858 | 304,858 |
| Franchise tax | 164,000 | 164,000 | 188,217 | 24,217 |
| Mobile home | 70,000 | 70,000 | 72,777 | 2,777 |
| Total taxes - other local | 1,634,000 | 1,634,000 | 1,965,852 | 331,852 |
| Taxes – state-shared: | | | | |
| Highway users | 402,727 | 402,727 | 449,900 | 47,173 |
| Licenses and permits: | | | | |
| Liquor | 56,000 | 56,000 | 56,479 | 479 |
| Traders license | 21,000 | 21,000 | 24,705 | 3,705 |
| Building permits | 110,000 | 110,000 | 132,345 | 22,345 |
| Other | 10,500 | 10,500 | 10,980 | 480 |
| Total licenses and permits | 197,500 | 197,500 | 224,509 | 27,009 |
| Intergovernmental revenue: | | | | |
| Grants from federal government: | | | | |
| Emergency management | 71,800 | 71,800 | 71,737 | (63) |
| Incremental grant | 110,000 | 110,000 | - | (110,000) |
| Other federal grants | 3,000 | 3,000 | 2,315 | (685) |
| Total grants from federal government | 184,800 | 184,800 | 74,052 | (110,748) |

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|----------------------|----------------------|----------------------|----------------------------------|
| Revenues (continued): | | | | |
| Grants from state government: | | | | |
| Equity grant | \$ 2,132,000 | \$ 2,132,000 | \$ 2,131,782 | \$ (218) |
| Teacher retirement supplement | 685,108 | 685,108 | 685,108 | - |
| Police protection | 153,417 | 153,417 | 160,724 | 7,307 |
| Family services grant | 149,350 | 149,350 | 127,105 | (22,245) |
| Juvenile Drug Court | 125,642 | 125,642 | 81,826 | (43,816) |
| Fire companies | 242,000 | 242,000 | 309,540 | 67,540 |
| Other | 20,500 | 20,500 | 69,744 | 49,244 |
| Total grants from state government | 3,508,017 | 3,508,017 | 3,565,829 | 57,812 |
| Other Grants: | | | | |
| School Resource Officer Grant | 134,352 | 134,352 | 124,267 | (10,085) |
| SRO full time | 102,048 | 102,048 | 98,259 | (3,789) |
| Total other grants | 236,400 | 236,400 | 222,526 | (13,874) |
| Charges for services: | | | | |
| General government | 102,000 | 102,000 | 88,998 | (13,002) |
| Public safety | 407,740 | 407,740 | 417,900 | 10,160 |
| Public works | 172,500 | 172,500 | 190,198 | 17,698 |
| Recreation charges | 80,700 | 80,700 | 86,339 | 5,639 |
| Weed control | 22,000 | 22,000 | 14,371 | (7,629) |
| Total charges for services | 784,940 | 784,940 | 797,806 | 12,866 |
| Miscellaneous revenues: | | | | |
| Interest | 5,000 | 5,000 | 55,476 | 50,476 |
| Rents | 39,784 | 39,784 | 30,477 | (9,307) |
| ESMEC refund | - | - | 116,582 | 116,582 |
| Other | - | - | 22,205 | 22,205 |
| Municipal infrastructure | 23,019 | 23,019 | 23,018 | (1) |
| Total miscellaneous revenues | 67,803 | 67,803 | 247,758 | 179,955 |
| Total revenues - General Fund | \$ 44,593,447 | \$ 44,593,447 | \$ 46,314,646 | \$ 1,721,199 |

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|-----------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| <u>Expenditures:</u> | | | | |
| General government: | | | | |
| County commissioners | \$ 487,221 | \$ 487,221 | \$ 530,194 | \$ 42,973 |
| Ethics commission | 200 | 200 | - | (200) |
| Judicial: | | | | |
| Juvenile Drug Court | 140,642 | 140,642 | 92,900 | (47,742) |
| Family services grant | 149,350 | 149,350 | 128,977 | (20,373) |
| Circuit Court | 299,145 | 299,145 | 282,371 | (16,774) |
| Orphan's Court | 19,136 | 19,136 | 18,509 | (627) |
| State's attorney | 797,391 | 797,391 | 751,977 | (45,414) |
| Total judicial | 1,405,664 | 1,405,664 | 1,274,734 | (130,930) |
| Elections | 400,123 | 400,123 | 412,853 | 12,730 |
| State department of assessments | 153,680 | 153,680 | 149,649 | (4,031) |
| Tax Office | 306,002 | 306,002 | 314,219 | 8,217 |
| Office of Finance | 464,735 | 464,735 | 449,831 | (14,904) |
| Legal services | 170,343 | 170,343 | 161,692 | (8,651) |
| Office of Human Resources | 408,819 | 408,819 | 436,008 | 27,189 |
| Planning and codes administration | 898,612 | 898,612 | 778,314 | (120,298) |
| General services | 143,000 | 143,000 | 445,911 | 302,911 |
| Town planning grants | 12,500 | 12,500 | 12,500 | - |
| Office of Technology | 362,179 | 362,179 | 354,937 | (7,242) |
| Total general government | 5,213,078 | 5,213,078 | 5,320,842 | 107,764 |
| Public safety: | | | | |
| Sheriff's department | 2,880,547 | 2,880,547 | 2,770,500 | (110,047) |
| Courthouse security | 275,292 | 275,292 | 275,959 | 667 |
| School Resource Officer | 179,137 | 179,137 | 170,654 | (8,483) |
| Adult offender Comm. Service | 30,700 | 30,700 | 16,379 | (14,321) |
| SRO full time | 102,048 | 102,048 | 101,269 | (779) |
| Fire protection | 1,668,987 | 1,668,987 | 1,730,368 | 61,381 |
| Corrections | 3,799,243 | 3,799,243 | 3,742,925 | (56,318) |
| Emergency Services - admin. | 234,067 | 234,067 | 243,782 | 9,715 |
| Emergency Services - comm. | 1,146,049 | 1,146,049 | 1,105,555 | (40,494) |
| Emergency Services - services | 2,474,549 | 2,474,549 | 2,623,838 | 149,289 |
| Emergency Services - risk mgmt. | 171,146 | 171,146 | 177,535 | 6,389 |
| Animal control | 291,000 | 291,000 | 294,554 | 3,554 |
| Liquor licensing | 71,143 | 71,143 | 49,050 | (22,093) |
| Total public safety | 13,323,908 | 13,323,908 | 13,302,368 | (21,540) |

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| <u>Expenditures (continued):</u> | | | | |
| Public works: | | | | |
| Administration | \$ 298,092 | \$ 298,092 | \$ 268,724 | \$ (29,368) |
| Central shop | 645,328 | 645,328 | 662,215 | 16,887 |
| Solid waste disposal | 261,014 | 261,014 | 226,344 | (34,670) |
| Johnsongrass | 78,047 | 78,047 | 79,225 | 1,178 |
| Mosquito control | 69,649 | 69,649 | 57,348 | (12,301) |
| Roads | 1,595,688 | 1,595,688 | 1,392,050 | (203,638) |
| County buildings | 624,674 | 624,674 | 597,578 | (27,096) |
| Total public works | 3,572,492 | 3,572,492 | 3,283,484 | (289,008) |
| Health: | | | | |
| Health Department | 377,903 | 377,903 | 377,903 | - |
| Other | 74,945 | 74,945 | 93,378 | 18,433 |
| Total health | 452,848 | 452,848 | 471,281 | 18,433 |
| Social services | 218,228 | 218,228 | 218,653 | 425 |
| Education: | | | | |
| Primary education | 13,983,229 | 13,983,229 | 13,983,229 | - |
| Chesapeake College | 1,663,274 | 1,663,274 | 1,659,666 | (3,608) |
| Total education | 15,646,503 | 15,646,503 | 15,642,895 | (3,608) |
| Public library | 1,147,435 | 1,147,435 | 1,147,435 | - |
| Recreation and parks | 930,459 | 930,459 | 931,814 | 1,355 |
| Arts | 5,000 | 5,000 | 5,000 | - |
| Conservation of natural resources | 136,413 | 136,413 | 136,414 | 1 |
| Interfaith housing | 6,000 | 6,000 | 6,000 | - |
| Economic development | 256,842 | 256,842 | 218,967 | (37,875) |
| Contingency | 378,033 | 378,033 | 319,456 | (58,577) |
| Debt service: | | | | |
| Principal | 2,499,565 | 2,499,565 | 2,499,565 | - |
| Interest | 1,088,109 | 1,088,109 | 1,097,700 | 9,591 |
| Total debt service | 3,587,674 | 3,587,674 | 3,597,265 | 9,591 |
| Total expenditures - General Fund | 44,874,913 | 44,874,913 | 44,601,874 | (273,039) |

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2017

| | <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 | 755,000 | 755,000 | 1,293,105 | (538,105) |
| FR fund balance | 100,000 | 100,000 | - | 100,000 |
| Recreation programs | 2,500 | 2,500 | 2,500 | - |
| Transfer out to: | | | | |
| 4-H park | (18,423) | (18,423) | (2,868) | (15,555) |
| Capital improvements | (600,000) | (600,000) | (2,468,028) | 1,868,028 |
| Jonestown water system | - | - | (16,133) | 16,133 |
| Sick leave unfunded liability | (32,611) | (32,611) | - | (32,611) |
| <hr/> | | | | |
| Total other financing sources (uses) - General Fund | 281,466 | 281,466 | (1,116,424) | 1,397,890 |
| <hr/> | | | | |
| Total expenditures and other financing sources (uses) | 44,593,447 | 44,593,447 | 45,718,298 | 1,124,851 |
| <hr/> | | | | |
| Net change in fund balances | \$ - | \$ - | \$ 596,348 | \$ 596,348 |

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE - SHS MEDICAL TRANSPORTATION

YEAR ENDED JUNE 30, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|---------------------|------------------|---|
| Revenues: | | | | |
| Intergovernmental revenue: | | | | |
| Grants from state government: | | | | |
| SHS Med Transportation | \$ 120,000 | \$ 120,000 | \$ 205,536 | \$ 85,536 |
| Total grants from state government | 120,000 | 120,000 | 205,536 | 85,536 |
| Total revenues | 120,000 | 120,000 | 205,536 | 85,536 |
| Expenditures: | | | | |
| Health: | | | | |
| Other | 120,000 | 120,000 | - | (120,000) |
| Total health | 120,000 | 120,000 | - | (120,000) |
| Total expenditures | 120,000 | 120,000 | - | (120,000) |
| Excess of revenues over expenditures | - | - | 205,536 | 205,536 |
| Other financing sources (uses): | | | | |
| Transfers in / (out) | - | - | (205,536) | (205,536) |
| Total other financing sources (uses) | - | - | (205,536) | (205,536) |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Fiscal Year | Measurement Date | Employer's Proportion (Percentage) of the Collective NPL A | Employer's Proportion 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) |
|--------------------|-------------------------|---|--|--|---|--|---|---|
| 2015 | June 30, 2014 | 0.018077% | \$ 3,207,990 | \$ 1,362,323 | 235% | \$ 45,339,988,000 | \$ 63,086,719,000 | 72% |
| 2016 | June 30, 2015 | 0.020072% | \$ 4,171,221 | \$ 1,455,966 | 286% | \$ 45,789,840,000 | \$ 66,571,552,000 | 69% |
| 2017 | June 30, 2016 | 0.024229% | \$ 5,716,633 | \$ 1,527,583 | 374% | \$ 45,365,927,000 | \$ 68,959,954,000 | 66% |

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

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

SCHEDULE OF CONTRIBUTIONS

| Fiscal Year | Measurement Date | Contractually Required Contribution A | Actual Contribution B | Contribution Deficiency (Excess) (A - B) | Employer's Covered Employee Payroll C | Actual Contribution as a Percentage of Covered Payroll (B / C) |
|--------------------|-------------------------|--|----------------------------------|---|--|---|
| 2015 | June 30, 2014 | \$ 421,248 | \$ 421,248 | \$ - | \$ 1,362,323 | 31% |
| 2016 | June 30, 2015 | \$ 423,055 | \$ 423,055 | \$ - | \$ 1,455,966 | 29% |
| 2017 | June 30, 2016 | \$ 472,004 | \$ 472,004 | \$ - | \$ 1,527,583 | 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
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

ACTUARIAL ASSUMPTIONS - PENSION PLAN

| | |
|-------------------------------|---|
| Actuarial | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | In the 2012 actuarial valuation: 8 years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000, and 25 years from each subsequent valuation date for each year's additional UAAL for the State Systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuations: 25 years for the State Systems, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. |
| Asset Valuation Model | Five-year smoothed market; 20% collar. |
| Inflation | In the 2012 actuarial valuation. 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage. In the 2014 actuarial valuation, 2.90% general, 3.40% wage. |
| Salary Increases | In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation. In the 2014 actuarial valuation, 3.40% to 10.65% including inflation. |
| Investment Rate of Return | In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%. In the 2014 valuation, 7.65%. |
| Retirement Age | Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience. |

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED NOTES
Caroline County, Maryland Employees' Pension Plan
Last ten fiscal years
June 30, 2017

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

Notes to schedule:
Benefit changes: None

Changes of assumptions: For 2017, the discount rate and investment rate was lowered to 7.2% from 7.25%.

Information for 2014 and earlier is not available

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Caroline County, Maryland Employees' Pension Plan
 Last ten fiscal years
 June 30, 2017

| | <i>(Dollar amounts in thousands)</i> | | | | | | | | | |
|---|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Actuarially determined contribution | \$ 858 | \$ 902 | \$ 1,005 | \$ 1,167 | \$ 1,122 | \$ 935 | \$ 788 | \$ 999 | \$ 1,008 | \$ 986 |
| Contributions in relation to the actuarially determined contribution | 2,143 | 1,123 | 1,091 | 1,166 | 875 | 775 | 778 | 1,587 | 1,500 | 1,500 |
| Contribution deficiency (excess) | \$ (1,285) | \$ (221) | \$ (86) | \$ 1 | \$ 247 | \$ 160 | \$ 10 | \$ (588) | \$ (492) | \$ (514) |
| Covered employee payroll | \$ 7,091 | \$ 7,048 | \$ 6,962 | \$ 7,018 | \$ 7,060 | \$ 7,102 | \$ 7,938 | \$ 9,324 | \$ 9,192 | \$ 8,520 |
| Contributions as a percentage of covered employee payroll | 30% | 16% | 16% | 17% | 12% | 11% | 10% | 17% | 16% | 18% |

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 14 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 | 7.20 percent, net of pension plan investment expense, including inflation |
| Retirement age | Rates vary by participant age and service |
| Mortality | RP-2000 combined healthy tables with generational projection by scale AA |

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

OTHER POSTEMPLOYMENT BENEFIT PLAN - FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

June 30, 2017

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

Schedule of Funding Progress for the Other Postemployment Benefit Plan

| Year Ended | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll c | UAAL as a Percentage Of Covered Payroll ((b-a)/c) |
|---------------|--------------------------|-------------------------------|---|---------------------------|--------------------|-------------------|---|
| June 30, 2015 | July 1, 2013 | \$ 4,363,000 | \$ 4,503,000 | \$ 140,000 | 96.89% | \$ 6,962,170 | 2.01% |
| June 30, 2016 | July 1, 2015 | \$ 4,883,512 | \$ 3,871,000 | \$ (1,012,512) | 126.16% | \$ 7,091,152 | -14.28% |
| June 30, 2017 | July 1, 2015 | \$ 4,883,512 | \$ 3,871,000 | \$ (1,012,512) | 126.16% | \$ 7,091,152 | -14.28% |

Schedule of Employer Contributions

| Year Ended | Annual OPEB Cost | Contributions Made | Percentage Contributed | Net OPEB Obligation/ (Prepaid) |
|---------------|------------------|--------------------|------------------------|--------------------------------|
| June 30, 2015 | \$ 199,000 | \$ 239,788 | 120.50% | \$ (2,176,940) |
| June 30, 2016 | \$ 57,000 | \$ 123,286 | 216.29% | \$ (2,243,226) |
| June 30, 2017 | \$ 57,000 | \$ 350,625 | 615.13% | \$ (2,536,851) |

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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, 2017.



Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2017

| | Special Revenue Funds | | | | | | |
|--|------------------------------|----------------|---------------------------|-------------------------------------|-------------|---------------------------|---------------------------|
| | Jonestown Water System | 4-H Park | Special Grants Fund | OJP Grants Law Enforcement | CDBG | Revolving Loan Fund | MEAF Revolving Loan |
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 92 | \$ - | \$ 98,874 | \$ 143,592 |
| Accounts receivable | 15 | - | 128,680 | 7,562 | - | 108,342 | 12,203 |
| Due from other funds | - | - | - | 853 | - | - | - |
| Other assets | - | - | - | - | - | - | - |
| Total assets | \$ 15 | \$ - | \$ 128,680 | \$ 8,507 | \$ - | \$ 207,216 | \$ 155,795 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 1,601 | \$ 3,978 | \$ 116,564 | \$ 988 | \$ - | \$ - | \$ - |
| Accrued expenses | - | - | 2,178 | - | - | - | - |
| Due to other funds | 10,677 | - | 5,269 | - | - | - | - |
| Due to other governments | - | - | - | - | - | - | - |
| Unearned revenues | - | - | - | 2,100 | - | - | - |
| Other liabilities | - | - | - | - | - | - | - |
| Total liabilities | 12,278 | 3,978 | 124,011 | 3,088 | - | - | - |
| Fund balances: | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - |
| Restricted | - | - | 4,669 | 5,419 | - | 207,216 | 155,795 |
| Committed | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | (12,263) | (3,978) | - | - | - | - | - |
| Total fund balances (deficit) | (12,263) | (3,978) | 4,669 | 5,419 | - | 207,216 | 155,795 |
| Total liabilities and fund balances | \$ 15 | \$ - | \$ 128,680 | \$ 8,507 | \$ - | \$ 207,216 | \$ 155,795 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

| | 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 | \$ 120 | \$ 20,576 | \$ 45,600 | \$ 9,114 | \$ 23,344 | \$ 15,862 | \$ 4,332 |
| Accounts receivable | - | - | - | - | - | 4,207 | 1,023 |
| Due from other funds | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | 2,000 | - | - |
| Total assets | \$ 120 | \$ 20,576 | \$ 45,600 | \$ 9,114 | \$ 25,344 | \$ 20,069 | \$ 5,355 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 120 | \$ - | \$ - | \$ - | \$ 475 | \$ 8,044 | \$ 509 |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | 5,289 |
| Due to other governments | - | - | - | 800 | - | - | - |
| Unearned revenues | - | - | - | - | 20,009 | - | - |
| Other liabilities | - | - | - | - | - | - | - |
| Total liabilities | 120 | - | - | 800 | 20,484 | 8,044 | 5,798 |
| Fund balances: | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - |
| Restricted | - | 20,576 | - | - | - | 12,025 | - |
| Committed | - | - | 45,600 | 8,314 | - | - | - |
| Assigned | - | - | - | - | 4,860 | - | - |
| Unassigned | - | - | - | - | - | - | (443) |
| Total fund balances (deficit) | - | 20,576 | 45,600 | 8,314 | 4,860 | 12,025 | (443) |
| Total liabilities and fund balances | \$ 120 | \$ 20,576 | \$ 45,600 | \$ 9,114 | \$ 25,344 | \$ 20,069 | \$ 5,355 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

| | Special Revenue Funds | | | | | |
|--|------------------------------|------------------------|----------------------------------|---------------------------------|----------------------|--------------------------|
| | Critical Area Forestry | Forest Conservation | Emergency Management Grant | Business and Tech Park | Health Department | Stormwater Facilities |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 35,275 | \$ 23,533 | \$ - | \$ 59,326 | \$ 357,929 | \$ - |
| Accounts receivable | - | - | 44,605 | - | - | - |
| Due from other funds | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Total assets | \$ 35,275 | \$ 23,533 | \$ 44,605 | \$ 59,326 | \$ 357,929 | \$ - |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 7,609 | \$ 102 | \$ - | \$ - |
| Accrued expenses | - | - | - | - | - | - |
| Due to other funds | - | - | 38,126 | - | 6,888 | - |
| Due to other governments | - | - | - | - | - | - |
| Unearned revenues | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - |
| Total liabilities | - | - | 45,735 | 102 | 6,888 | - |
| Fund balances: | | | | | | |
| Non-spendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Committed | 35,275 | 23,533 | - | - | - | - |
| Assigned | - | - | - | 59,224 | 351,041 | - |
| Unassigned | - | - | (1,130) | - | - | - |
| Total fund balances (deficit) | 35,275 | 23,533 | (1,130) | 59,224 | 351,041 | - |
| Total liabilities and fund balances | \$ 35,275 | \$ 23,533 | \$ 44,605 | \$ 59,326 | \$ 357,929 | \$ - |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

| | Special Revenue Funds | | Capital Projects | Totals |
|--|-----------------------|---------------------|-------------------|---------------------|
| | Drug Task Force | Dayspring Townhomes | Education Fund | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 177,202 | \$ 19,514 | \$ 311,747 | \$ 1,346,032 |
| Accounts receivable | - | 11,140 | - | 317,777 |
| Due from other funds | - | - | - | 853 |
| Other assets | - | 660,445 | - | 662,445 |
| Total assets | \$ 177,202 | \$ 691,099 | \$ 311,747 | \$ 2,327,107 |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 869 | \$ 20,020 | \$ - | \$ 160,879 |
| Accrued expenses | - | - | - | 2,178 |
| Due to other funds | 412 | - | - | 66,661 |
| Due to other governments | - | - | - | 800 |
| Unearned revenues | - | - | - | 22,109 |
| Other liabilities | - | 25,934 | - | 25,934 |
| Total liabilities | 1,281 | 45,954 | - | 278,561 |
| Fund balances: | | | | |
| Non-spendable | - | - | - | - |
| Restricted | 175,921 | 645,145 | - | 1,226,766 |
| Committed | - | - | 311,747 | 424,469 |
| Assigned | - | - | - | 415,125 |
| Unassigned | - | - | - | (17,814) |
| Total fund balances (deficit) | 175,921 | 645,145 | 311,747 | 2,048,546 |
| Total liabilities and fund balances | \$ 177,202 | \$ 691,099 | \$ 311,747 | \$ 2,327,107 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED June 30, 2017

| | 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 | - | - | 234,969 | 52,474 | - | - | - |
| Charges for services | 15,035 | - | - | - | - | - | - |
| Miscellaneous revenues | - | 16,105 | - | - | - | 6,967 | 744 |
| Total revenues | 15,035 | 16,105 | 234,969 | 52,474 | - | 6,967 | 744 |
| Expenditures: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | 48,912 | - | - | - |
| Public works | 29,998 | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - |
| Recreation and culture | - | 43,184 | - | - | - | - | - |
| Economic development | - | - | 234,969 | - | - | 60 | - |
| Total expenditures | 29,998 | 43,184 | 234,969 | 48,912 | - | 60 | - |
| Excess (deficiency) of revenues over expenditures | (14,963) | (27,079) | - | 3,562 | - | 6,907 | 744 |
| Other financing sources (uses): | | | | | | | |
| Transfers in (out) | 16,133 | 2,868 | - | - | - | - | - |
| Total other financing sources (uses) | 16,133 | 2,868 | - | - | - | - | - |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 1,170 | (24,211) | - | 3,562 | - | 6,907 | 744 |
| Fund balances (deficit), beginning | (13,433) | 20,233 | 4,669 | 1,857 | - | 200,309 | 155,051 |
| Fund balances (deficit), ending | \$ (12,263) | \$ (3,978) | \$ 4,669 | \$ 5,419 | \$ - | \$ 207,216 | \$ 155,795 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2017

| | Special Revenue Funds | | | | | | |
|--|-----------------------|---------------------------------------|---|---|-----------------|-----------------------|-----------------|
| | Dog Licenses | Equitable Sharing Task Force | Local Agricultural Land Preservation | State Agricultural Land Preservation | Summerfest | Commissary Account | Law Library |
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ 16,100 | \$ 6,204 | \$ - | \$ - | \$ - |
| Licenses and permits | 120 | - | - | - | - | - | - |
| Intergovernmental revenues | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Miscellaneous revenues | - | - | - | - | 43,838 | 100,820 | 6,944 |
| Total revenues | 120 | - | 16,100 | 6,204 | 43,838 | 100,820 | 6,944 |
| Expenditures: | | | | | | | |
| General government | - | - | - | - | - | - | 13,585 |
| Public safety | 120 | 3,600 | - | - | - | 102,376 | - |
| Public works | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | 47,971 | - | - |
| Economic development | - | - | - | - | - | - | - |
| Total expenditures | 120 | 3,600 | - | - | 47,971 | 102,376 | 13,585 |
| Excess (deficiency) of revenues over expenditures | - | (3,600) | 16,100 | 6,204 | (4,133) | (1,556) | (6,641) |
| Other financing sources (uses): | | | | | | | |
| Transfers in (out) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | - | (3,600) | 16,100 | 6,204 | (4,133) | (1,556) | (6,641) |
| Fund balances (deficit), beginning | - | 24,176 | 29,500 | 2,110 | 8,993 | 13,581 | 6,198 |
| Fund balances (deficit), ending | \$ - | \$ 20,576 | \$ 45,600 | \$ 8,314 | \$ 4,860 | \$ 12,025 | \$ (443) |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2017

| | Special Revenue Funds | | | | | |
|--|------------------------------|------------------------|----------------------------------|---------------------------------|----------------------|--------------------------|
| | Critical Area Forestry | Forest Conservation | Emergency Management Grant | Business and Tech Park | Health Department | Stormwater Facilities |
| Revenues: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental revenues | - | - | 263,771 | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Miscellaneous revenues | 18,377 | - | - | - | 1,097 | - |
| Total revenues | 18,377 | - | 263,771 | - | 1,097 | - |
| Expenditures: | | | | | | |
| General government | 5,160 | - | - | - | - | - |
| Public safety | - | - | 263,771 | - | - | - |
| Public works | - | - | - | - | - | - |
| Health | - | - | - | - | 12,945 | - |
| Recreation and culture | - | - | - | - | - | - |
| Economic development | - | - | - | 4,267 | - | - |
| Total expenditures | 5,160 | - | 263,771 | 4,267 | 12,945 | - |
| Excess (deficiency) of revenues over expenditures | 13,217 | - | - | (4,267) | (11,848) | - |
| 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 | 13,217 | - | - | (4,267) | (11,848) | - |
| Fund balances (deficit), beginning | 22,058 | 23,533 | (1,130) | 63,491 | 362,889 | - |
| Fund balances (deficit), ending | \$ 35,275 | \$ 23,533 | \$ (1,130) | \$ 59,224 | \$ 351,041 | \$ - |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED June 30, 2017

| | Special Revenue Funds | | Capital Projects | Totals |
|--|-----------------------|---------------------|--------------------------------|---------------------|
| | Drug Task Force | Dayspring Townhomes | Fund Educational Facilities | |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ 140,458 | \$ 162,762 |
| Licenses and permits | - | - | - | 120 |
| Intergovernmental revenues | - | - | - | 551,214 |
| Charges for services | - | - | - | 15,035 |
| Miscellaneous revenues | 55,706 | 306,971 | - | 557,569 |
| Total revenues | 55,706 | 306,971 | 140,458 | 1,286,700 |
| Expenditures: | | | | |
| General government | - | 356,354 | - | 375,099 |
| Public safety | 18,125 | - | - | 436,904 |
| Public works | - | - | - | 29,998 |
| Health | - | - | - | 12,945 |
| Recreation and culture | - | - | - | 91,155 |
| Economic development | - | - | - | 239,296 |
| Total expenditures | 18,125 | 356,354 | - | 1,185,397 |
| Excess (deficiency) of revenues over expenditures | 37,581 | (49,383) | 140,458 | 101,303 |
| Other financing sources (uses): | | | | |
| Transfers in (out) | - | - | (75,000) | (55,999) |
| Total other financing sources (uses) | - | - | (75,000) | (55,999) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 37,581 | (49,383) | 65,458 | 45,304 |
| Fund balances (deficit), beginning | 138,340 | 694,528 | 246,289 | 2,003,242 |
| Fund balances (deficit), ending | \$ 175,921 | \$ 645,145 | \$ 311,747 | \$ 2,048,546 |

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

AGENCY FUNDS

June 30, 2017

| | 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 | \$ 28,184 | \$ 57,742 | \$ 3,351 | \$ 3,576 | \$ 15,551 | \$ 1,351 | \$ 100,605 | \$ 29,840 | \$ 399,822 | \$ 150 | \$ 640,172 |
| Taxes and other receivables | 20,651 | 50,896 | - | - | - | - | - | - | - | - | 71,547 |
| Total assets | \$ 48,835 | \$ 108,638 | \$ 3,351 | \$ 3,576 | \$ 15,551 | \$ 1,351 | \$ 100,605 | \$ 29,840 | \$ 399,822 | \$ 150 | \$ 711,719 |
| LIABILITIES: | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 3,351 | \$ - | \$ 15,551 | \$ - | \$ 100,605 | \$ - | \$ - | \$ - | \$ 119,507 |
| Due to property owners | - | - | - | - | - | - | - | - | 399,822 | - | 399,822 |
| Due to other governments | 48,835 | 108,638 | - | 3,576 | - | - | - | 29,840 | - | 150 | 191,039 |
| Due to participants | - | - | - | - | - | 1,351 | - | - | - | - | 1,351 |
| Total liabilities | \$ 48,835 | \$ 108,638 | \$ 3,351 | \$ 3,576 | \$ 15,551 | \$ 1,351 | \$ 100,605 | \$ 29,840 | \$ 399,822 | \$ 150 | \$ 711,719 |

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2017

| | Balance July 01, 2016 | Additions | Deductions | Balance June 30, 2017 |
|---------------------------------|--------------------------|----------------------|----------------------|--------------------------|
| State Property Tax Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 23,866 | \$ 2,395,816 | \$ 2,391,498 | \$ 28,184 |
| Taxes and other receivables | 22,527 | 2,781,088 | 2,782,964 | 20,651 |
| Total assets | \$ 46,393 | \$ 5,176,904 | \$ 5,174,462 | \$ 48,835 |
| Liabilities: | | | | |
| Due to other governments | \$ 46,393 | \$ 2,781,088 | \$ 2,778,646 | \$ 48,835 |
| Total liabilities | \$ 46,393 | \$ 2,781,088 | \$ 2,778,646 | \$ 48,835 |
| Town Property Tax Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 56,378 | \$ 5,451,091 | \$ 5,449,727 | \$ 57,742 |
| Taxes and other receivables | 41,680 | 5,413,417 | 5,404,201 | 50,896 |
| Total assets | \$ 98,058 | \$ 10,864,508 | \$ 10,853,928 | \$ 108,638 |
| Liabilities: | | | | |
| Due to other governments | \$ 98,058 | \$ 5,413,417 | \$ 5,402,837 | \$ 108,638 |
| Total liabilities | \$ 98,058 | \$ 5,413,417 | \$ 5,402,837 | \$ 108,638 |
| DMV Tag Sales Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 10,108 | \$ 303,106 | \$ 309,863 | \$ 3,351 |
| Total assets | \$ 10,108 | \$ 303,106 | \$ 309,863 | \$ 3,351 |
| Liabilities: | | | | |
| Accounts Payable | \$ 10,108 | \$ 303,106 | \$ 309,863 | \$ 3,351 |
| Total liabilities | \$ 10,108 | \$ 303,106 | \$ 309,863 | \$ 3,351 |

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2017

| | Balance July 01, 2016 | | Additions | | Deductions | | Balance June 30, 2017 |
|--------------------------------|--------------------------|-----------|----------------|-----------|----------------|-----------|--------------------------|
| Hotel Rental Tax: | | | | | | | |
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 4,959 | \$ | 46,472 | \$ | 47,855 | \$ | 3,576 |
| Total assets | \$ 4,959 | \$ | 46,472 | \$ | 47,855 | \$ | 3,576 |
| Liabilities: | | | | | | | |
| Due to other governments | \$ 4,959 | \$ | 46,472 | \$ | 47,855 | \$ | 3,576 |
| Total liabilities | \$ 4,959 | \$ | 46,472 | \$ | 47,855 | \$ | 3,576 |
| Tax Sale Proceeds Fund: | | | | | | | |
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 10,211 | \$ | 717,660 | \$ | 712,320 | \$ | 15,551 |
| Total assets | \$ 10,211 | \$ | 717,660 | \$ | 712,320 | \$ | 15,551 |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 10,211 | \$ | 717,660 | \$ | 712,320 | \$ | 15,551 |
| Total liabilities | \$ 10,211 | \$ | 717,660 | \$ | 712,320 | \$ | 15,551 |
| Inmate Account: | | | | | | | |
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,806 | \$ | 80,347 | \$ | 80,802 | \$ | 1,351 |
| Total assets | \$ 1,806 | \$ | 80,347 | \$ | 80,802 | \$ | 1,351 |
| Liabilities: | | | | | | | |
| Due to participants | \$ 1,806 | \$ | 80,347 | \$ | 80,802 | \$ | 1,351 |
| Total liabilities | \$ 1,806 | \$ | 80,347 | \$ | 80,802 | \$ | 1,351 |

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2017

| | Balance July 01, 2016 | Additions | Deductions | Balance June 30, 2017 |
|-------------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Confiscated Properties Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 21,730 | \$ 93,901 | \$ 15,026 | \$ 100,605 |
| Total assets | \$ 21,730 | \$ 93,901 | \$ 15,026 | \$ 100,605 |
| Liabilities: | | | | |
| Accounts payable | \$ 21,730 | \$ 93,901 | \$ 15,026 | \$ 100,605 |
| Total liabilities | \$ 21,730 | \$ 93,901 | \$ 15,026 | \$ 100,605 |
| Bay Restoration Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 34,688 | \$ 513,040 | \$ 517,888 | \$ 29,840 |
| Total assets | \$ 34,688 | \$ 513,040 | \$ 517,888 | \$ 29,840 |
| Liabilities: | | | | |
| Due to other governments | \$ 34,688 | \$ 513,040 | \$ 517,888 | \$ 29,840 |
| Total liabilities | \$ 34,688 | \$ 513,040 | \$ 517,888 | \$ 29,840 |
| Public Drainage Association: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 426,027 | \$ 137,082 | \$ 163,287 | \$ 399,822 |
| Total assets | \$ 426,027 | \$ 137,082 | \$ 163,287 | \$ 399,822 |
| Liabilities: | | | | |
| Due to property owners | \$ 426,027 | \$ 137,082 | \$ 163,287 | \$ 399,822 |
| Total liabilities | \$ 426,027 | \$ 137,082 | \$ 163,287 | \$ 399,822 |

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2017

| | Balance July 01, 2016 | Additions | Deductions | Balance June 30, 2017 |
|-----------------------------------|--------------------------|----------------------|----------------------|--------------------------|
| Home Builder Guaranty Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 250 | \$ 2,450 | \$ 2,550 | \$ 150 |
| Total assets | \$ 250 | \$ 2,450 | \$ 2,550 | \$ 150 |
| Liabilities: | | | | |
| Due to other governments | \$ 250 | \$ 2,450 | \$ 2,550 | \$ 150 |
| Total liabilities | \$ 250 | \$ 2,450 | \$ 2,550 | \$ 150 |
| Total Agency Funds: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 590,023 | \$ 9,740,965 | \$ 9,690,816 | \$ 640,172 |
| Taxes and other receivables | 64,207 | 8,194,505 | 8,187,165 | 71,547 |
| Total assets | \$ 654,230 | \$ 17,935,470 | \$ 17,877,981 | \$ 711,719 |
| Liabilities: | | | | |
| Accounts payable | \$ 42,049 | \$ 1,114,667 | \$ 1,037,209 | \$ 119,507 |
| Due to property owners | 426,027 | 137,082 | 163,287 | 399,822 |
| Due to other governments | 184,348 | 8,756,467 | 8,749,776 | 191,039 |
| Due to participants | 1,806 | 80,347 | 80,802 | 1,351 |
| Total liabilities | \$ 654,230 | \$ 10,088,563 | \$ 10,031,074 | \$ 711,719 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS

June 30, 2017

| | Recreation Programs | Public Works | Basic Life Support Fund | Totals |
|----------------------------------|------------------------|-------------------|----------------------------|---------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 244,457 | \$ 354,769 | \$ 573,064 | \$ 1,172,290 |
| Accounts receivable | 114,355 | 39,557 | - | 153,912 |
| Total current assets | 358,812 | 394,326 | 573,064 | 1,326,202 |
| Noncurrent assets: | | | | |
| Capital assets, net | - | 19,403 | - | 19,403 |
| Total assets | 358,812 | 413,729 | 573,064 | 1,345,605 |
| LIABILITIES: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 43,613 | 2,629 | 58,386 | 104,628 |
| Unearned revenue | 12,836 | - | - | 12,836 |
| Due to other funds | - | - | - | - |
| Total current liabilities | 56,449 | 2,629 | 58,386 | 117,464 |
| Noncurrent liabilities: | | | | |
| Long-term debt | - | - | - | - |
| Total liabilities | 56,449 | 2,629 | 58,386 | 117,464 |
| NET POSITION: | | | | |
| Invested in capital assets | - | 19,403 | - | 19,403 |
| Unrestricted | 302,363 | 391,697 | 514,678 | 1,208,738 |
| Total net position | \$ 302,363 | \$ 411,100 | \$ 514,678 | \$ 1,228,141 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2017

| | Recreation Programs | Public Works | Basic Life Support Fund | Totals |
|---|------------------------|-------------------|----------------------------|---------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 253,932 | \$ 575,206 | \$ 1,491,360 | \$ 2,320,498 |
| Total operating revenues | 253,932 | 575,206 | 1,491,360 | 2,320,498 |
| Operating expenses: | | | | |
| Personnel services | 512,446 | - | - | 512,446 |
| Operations and maintenance | 271,010 | 511,824 | 325,710 | 1,108,544 |
| Depreciation expense | - | 1,990 | - | 1,990 |
| Total operating expenses | 783,456 | 513,814 | 325,710 | 1,622,980 |
| Operating income (loss) | (529,524) | 61,392 | 1,165,650 | 697,518 |
| Nonoperating revenues (expenses): | | | | |
| Intergovernmental revenues | 588,529 | - | - | 588,529 |
| Total nonoperating revenues (expenses) | 588,529 | - | - | 588,529 |
| Transfers in (out) | (2,500) | - | (1,293,105) | (1,295,605) |
| Change in net position | 56,505 | 61,392 | (127,455) | (9,558) |
| Net position, beginning of year | 245,858 | 349,708 | 642,133 | 1,237,699 |
| Net position, end of year | \$ 302,363 | \$ 411,100 | \$ 514,678 | \$ 1,228,141 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2017

| | Recreation Programs | Public Works | Basic Life Support Fund | Totals |
|---|------------------------|-------------------|----------------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 270,945 | \$ 599,244 | \$ 1,493,995 | \$ 2,364,184 |
| Cash paid to suppliers | (281,304) | (512,268) | (293,828) | (1,087,400) |
| Cash paid to employees | (512,446) | - | - | (512,446) |
| Net cash provided (used) by operating activities | (522,805) | 86,976 | 1,200,167 | 764,338 |
| Cash flows from noncapital financing activities | | | | |
| Intergovernmental | 588,529 | - | - | 588,529 |
| Transfer in (out) | (2,500) | - | (1,293,105) | (1,295,605) |
| Receipt (payment) of interfund loan | - | 501 | - | 501 |
| Net cash provided (used) by noncapital financing activities | 586,029 | 501 | (1,293,105) | (706,575) |
| Cash flows from capital and financing activities | | | | |
| Acquisition of capital assets | - | - | - | - |
| Net cash provided (used) by capital and financing activities | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | 63,224 | 87,477 | (92,938) | 57,763 |
| Cash and cash equivalents, beginning of year | 181,233 | 267,292 | 666,002 | 1,114,527 |
| Cash and cash equivalents, end of year | \$ 244,457 | \$ 354,769 | \$ 573,064 | \$ 1,172,290 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (529,524) | \$ 61,392 | \$ 1,165,650 | \$ 697,518 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | - | 1,990 | - | 1,990 |
| Decrease (increase) in accounts receivable | 21,022 | 24,038 | 2,635 | 47,695 |
| Decrease (increase) in prepaid expense | 1,372 | - | - | 1,372 |
| Increase (decrease) in accounts payable | (11,666) | (444) | 31,882 | 19,772 |
| Increase (decrease) in unearned revenue | (4,009) | - | - | (4,009) |
| Net cash provided (used) by operating activities | \$ (522,805) | \$ 86,976 | \$ 1,200,167 | \$ 764,338 |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND

YEAR ENDED June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|--------------------|-----------------------|----------------------------------|
| Revenues: | | | | |
| Taxes | \$ 599,344 | \$ 599,344 | \$ 512,869 | \$ (86,475) |
| Intergovernmental revenues | 2,321,213 | 2,321,213 | 1,615,844 | (705,369) |
| Miscellaneous revenues | 52,250 | 52,250 | 217,700 | 165,450 |
| Total revenues | 2,972,807 | 2,972,807 | 2,346,413 | (626,394) |
| Expenditures: | | | | |
| General government | 385,000 | 385,000 | 317,410 | (67,590) |
| Public safety | 1,775,708 | 1,775,708 | 1,093,190 | (682,518) |
| Public works | 3,457,385 | 3,457,385 | 3,248,880 | (208,505) |
| Primary education | 2,881,384 | 2,881,384 | 1,159,630 | (1,721,754) |
| Public Library | 58,000 | 58,000 | 58,000 | - |
| Recreation and parks | 848,948 | 848,948 | 301,692 | (547,256) |
| Total expenditures | 9,406,425 | 9,406,425 | 6,178,802 | (3,227,623) |
| Excess (deficiency) of revenues over expenditures | (6,433,618) | (6,433,618) | (3,832,389) | 2,601,229 |
| Other financing sources (uses): | | | | |
| Transfers in (out) | 2,839,656 | 2,839,656 | 2,673,564 | (166,092) |
| Fund balance re-appropriated | 607,593 | 607,593 | - | (607,593) |
| Proceeds from issuance of debt | 2,986,369 | 2,986,369 | - | (2,986,369) |
| Total other financing sources (uses) | 6,433,618 | 6,433,618 | 2,673,564 | (3,760,054) |
| Net change in fund balances | \$ - | \$ - | \$ (1,158,825) | \$ (1,158,825) |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE - EDUCATIONAL FACILITIES FUND
 YEAR ENDED June 30, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|---------------------|------------------|---|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 75,000 | \$ 75,000 | \$ 140,458 | \$ 65,458 |
| Total revenues | 75,000 | 75,000 | 140,458 | 65,458 |
| <u>Expenditures</u> | | | | |
| Excess (deficiency) of revenues over expenditures | 75,000 | 75,000 | 140,458 | 65,458 |
| <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>\$ 65,458</u> | <u>\$ 65,458</u> |

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

YEAR ENDED June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|--------------|--------------------|----------------------------------|
| <u>Jonestown Water System</u> | | | | |
| Revenues: | | | | |
| Charges for services | \$ 13,250 | \$ 13,250 | \$ 15,035 | \$ 1,785 |
| Expenditures: | | | | |
| Public works | 13,250 | 13,250 | 29,998 | 16,748 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 16,133 | 16,133 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 1,170 | \$ 1,170 |
| <u>4-H Park:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 18,956 | \$ 18,956 | \$ 16,105 | \$ (2,851) |
| Expenditures: | | | | |
| Recreation and culture | 37,379 | 37,379 | 43,185 | 5,806 |
| Other financing sources(uses): | | | | |
| Transfers in | 18,423 | 18,423 | 2,868 | (15,555) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ (24,212) | \$ (24,212) |
| <u>Special Grants</u> | | | | |
| Revenues: | | | | |
| Intergovernmental revenues | \$ 115,000 | \$ 115,000 | \$ 234,969 | \$ 119,969 |
| Expenditures: | | | | |
| Economic development | 115,000 | 115,000 | 234,969 | 119,969 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ - | \$ - |
| <u>OJP Grant Law Enforcement:</u> | | | | |
| Revenues: | | | | |
| Intergovernmental revenues | \$ 43,144 | \$ 43,144 | \$ 52,474 | \$ 9,330 |
| Expenditures: | | | | |
| Public safety | 43,144 | 43,144 | 48,912 | 5,768 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 3,562 | \$ 3,562 |

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

YEAR ENDED June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|--------------|------------|----------------------------------|
| <u>Local Agricultural Land Preservation:</u> | | | | |
| Revenues: | | | | |
| Taxes | \$ 10,000 | \$ 10,000 | \$ 16,100 | \$ 6,100 |
| Expenditures: | | | | |
| General government | 10,000 | 10,000 | - | (10,000) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 16,100 | \$ 16,100 |
| <u>State Agricultural Land Preservation:</u> | | | | |
| Revenues: | | | | |
| Taxes | \$ 15,000 | \$ 15,000 | \$ 6,204 | \$ (8,796) |
| Expenditures: | | | | |
| General government | 15,000 | 15,000 | - | (15,000) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 6,204 | \$ 6,204 |
| <u>Summerfest Fund:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 39,200 | \$ 39,200 | \$ 43,838 | 4,638 |
| Expenditures: | | | | |
| Recreation and culture | 39,200 | 39,200 | 47,971 | 8,771 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ (4,133) | \$ (4,133) |
| <u>Commissary Account:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 152,000 | \$ 152,000 | \$ 100,820 | \$ (51,180) |
| Expenditures: | | | | |
| Public safety | 152,000 | 152,000 | 102,376 | (49,624) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ (1,556) | \$ (1,556) |
| <u>Law Library:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 10,050 | \$ 10,050 | \$ 6,944 | \$ (3,106) |
| Expenditures: | | | | |
| General government | 10,050 | 10,050 | 13,585 | 3,535 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ (6,641) | \$ (6,641) |

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

YEAR ENDED June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|--------------|------------|----------------------------------|
| <u>Critical Area Forestry:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 2,000 | \$ 2,000 | \$ 18,377 | \$ 16,377 |
| Expenditures: | | | | |
| General government | 2,000 | 2,000 | 5,160 | 3,160 |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 13,217 | \$ 13,217 |
| <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 | \$ 250,291 | \$ 250,291 | \$ 263,771 | \$ 13,480 |
| Expenditures: | | | | |
| Public safety | 250,291 | 250,291 | 263,771 | 13,480 |
| Revenues over (under) expenditures | \$ - | \$ - | - | - |
| <u>Business & Technology Park Fund:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 63,000 | \$ 63,000 | - | \$ (63,000) |
| Expenditures: | | | | |
| Economic development | 63,000 | 63,000 | 4,267 | (58,733) |
| Revenues over (under) expenditures | \$ - | \$ - | (4,267) | (4,267) |

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

YEAR ENDED June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|------------------------------------|--------------------|--------------|-----------|----------------------------------|
| <u>Stormwater Facilities:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 10,000 | \$ 10,000 | \$ - | (10,000) |
| Expenditures: | | | | |
| Public works | 10,000 | 10,000 | - | (10,000) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ - | \$ - |
| <u>Drug Task Force:</u> | | | | |
| Revenues: | | | | |
| Miscellaneous revenues | \$ 50,450 | \$ 50,450 | \$ 55,706 | 5,256 |
| Expenditures: | | | | |
| Public safety | 50,450 | 50,450 | 18,125 | (32,325) |
| Revenues over (under) expenditures | \$ - | \$ - | \$ 37,581 | \$ 37,581 |

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
REVENUE AND EXPENDITURE DETAIL - HIGHWAY USERS

YEAR ENDED June 30, 2017

| | | |
|---|----|-------------|
| Revenue: | | |
| State-shared taxes | \$ | 391,788 |
| Transportation grant | | 58,112 |
| Total revenue | \$ | 449,900 |
| Expenditures - public works: | | |
| General administration | | 268,724 |
| Central shop | | 662,215 |
| Highways and roads | | 1,392,050 |
| Debt service | | 250,979 |
| General services | | 38,275 |
| Capital road expenditures | | 3,203,880 |
| Total expenditures - highway users | | 5,816,123 |
| Excess (deficiency) of revenues over expenditures - highway users | \$ | (5,366,223) |

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2017

| | | <u>Actual</u> | <u>Budgeted Amounts</u> | | <u>Variance With Final Budget</u> |
|--|----|-------------------|-------------------------|-------------------|---|
| | | | <u>Original</u> | <u>Final</u> | |
| Sheriff study | \$ | 21,422 | | | |
| Jail sewer project | | 41,000 | | | |
| 4-H park | | 13,527 | | | |
| Upper Shore Aging | | 11,740 | | | |
| Caroline County Humane Society | | 29,750 | | | |
| Motorola Solutions | | 85,178 | | | |
| Verizon | | 26,330 | | | |
| Town of Marydel audit | | 10,000 | | | |
| Ridgely volunteer fire company | | 50,953 | | | |
| Legal fees | | 7,643 | | | |
| Miscellaneous | | 21,913 | | | |
| | | 319,456 | 378,033 | 378,033 | 58,577 |
| Total expenditures - Contingency Fund | | \$ 319,456 | \$ 378,033 | \$ 378,033 | \$ 58,577 |



STATISTICAL SECTION

STATISTICAL SECTION

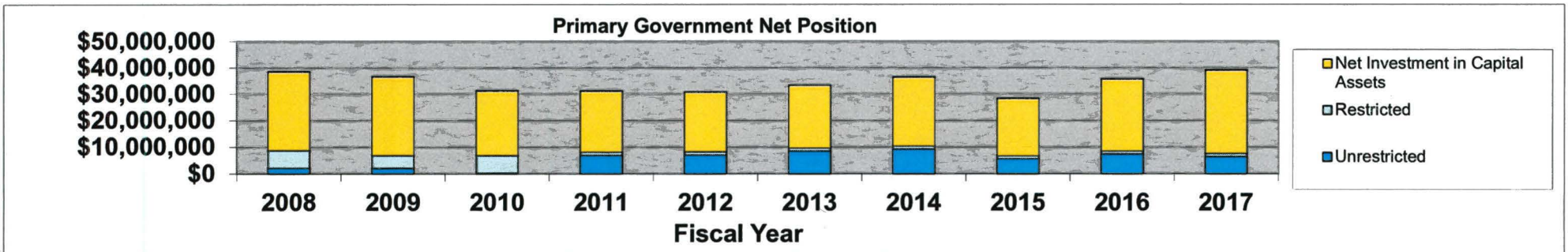
This part of Caroline Counties comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the counties overall financial health.

| <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, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 28,997,031 | \$ 28,997,508 | \$ 20,726,884 | \$ 22,611,390 | \$ 22,018,273 | \$ 22,400,051 | \$ 25,789,169 | \$ 21,285,188 | \$ 26,457,210 | \$ 30,570,337 |
| Restricted for: | | | | | | | | | | |
| Capital Projects | 5,698,035 | 3,791,417 | 5,547,595 | - | - | - | - | - | - | - |
| Other Purposes | 957,072 | 1,045,114 | 1,103,918 | 1,276,394 | 1,262,729 | 1,222,495 | 1,193,871 | 1,187,886 | 1,238,709 | 1,226,766 |
| Unrestricted | 1,703,186 | 1,358,337 | (33,962) | 6,513,557 | 6,366,717 | 7,746,598 | 8,021,571 | 4,177,957 | 6,167,869 | 5,343,192 |
| Total Government Activities Net Position | \$ 37,355,324 | \$ 35,192,376 | \$ 27,344,435 | \$ 30,401,341 | \$ 29,647,719 | \$ 31,369,144 | \$ 35,004,611 | \$ 26,651,031 | \$ 33,863,788 | \$ 37,140,295 |
| Business-type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 788,442 | \$ 786,170 | \$ 3,633,900 | \$ 335,514 | \$ 345,023 | \$ 1,194,728 | \$ 240,041 | \$ 257,360 | \$ 698,407 | \$ 975,797 |
| Unrestricted | 351,383 | 610,117 | 211,922 | 334,353 | 606,197 | 671,536 | 1,167,628 | 1,329,005 | 1,110,732 | 975,748 |
| Total Business-type Activities Net Position | \$ 1,139,825 | \$ 1,396,287 | \$ 3,845,822 | \$ 669,867 | \$ 951,220 | \$ 1,866,264 | \$ 1,407,669 | \$ 1,586,365 | \$ 1,809,139 | \$ 1,951,545 |
| Primary Government | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 29,785,473 | \$ 29,783,678 | \$ 24,360,784 | \$ 22,946,904 | \$ 22,363,296 | \$ 23,594,779 | \$ 26,029,210 | \$ 21,542,548 | \$ 27,155,617 | \$ 31,546,134 |
| Restricted | 6,655,107 | 4,836,531 | 6,651,513 | 1,276,394 | 1,262,729 | 1,222,495 | 1,193,871 | 1,187,886 | 1,238,709 | 1,226,766 |
| Unrestricted | 2,054,569 | 1,968,454 | 177,960 | 6,847,910 | 6,972,914 | 8,418,134 | 9,189,199 | 5,506,962 | 7,278,601 | 6,318,940 |
| Total Primary Government Net Position | \$ 38,495,149 | \$ 36,588,663 | \$ 31,190,257 | \$ 31,071,208 | \$ 30,598,939 | \$ 33,235,408 | \$ 36,412,280 | \$ 28,237,396 | \$ 35,672,927 | \$ 39,091,840 |



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

| Years ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses | | | | | | | | | | |
| Government Activities: | | | | | | | | | | |
| General Government | \$ 5,807,431 | \$ 6,372,040 | \$ 5,693,667 | \$ 5,628,953 | \$ 6,845,879 | \$ 6,157,331 | \$ 5,589,617 | \$ 5,463,688 | \$ 6,399,850 | \$ 7,146,867 |
| Public Safety | 12,625,257 | 13,007,213 | 12,775,201 | 13,031,198 | 13,214,384 | 13,784,479 | 13,339,410 | 13,557,853 | 14,508,616 | 14,737,034 |
| Public Works | 5,964,220 | 5,870,164 | 5,277,671 | 4,908,094 | 4,573,494 | 4,142,162 | 4,057,284 | 4,219,727 | 3,159,719 | 4,455,794 |
| Health | 1,049,262 | 1,022,864 | 962,574 | 621,859 | 456,265 | 454,796 | 452,838 | 452,838 | 615,293 | 484,226 |
| Social Services | 1,369,703 | 1,251,541 | 1,141,037 | 1,267,129 | 133,412 | 131,212 | 135,638 | 138,128 | 146,828 | 218,653 |
| Primary Education | 14,641,010 | 13,103,740 | 16,619,350 | 13,498,500 | 14,109,214 | 13,497,885 | 13,416,327 | 15,739,948 | 15,532,393 | 15,143,859 |
| Secondary Education | 1,634,409 | 1,398,888 | 1,872,085 | 1,413,551 | 1,434,573 | 1,429,541 | 2,958,503 | 1,436,220 | 1,555,622 | 1,562,744 |
| Recreation and Culture | 1,147,308 | 1,371,773 | 1,203,622 | 1,153,486 | 1,172,538 | 1,373,010 | 1,356,787 | 1,337,703 | 1,401,868 | 1,463,349 |
| Library | 1,584,100 | 1,450,000 | 1,200,000 | 1,100,000 | 1,111,050 | 1,109,175 | 1,114,000 | 1,135,477 | 1,176,435 | 1,205,435 |
| Conservation of Natural | 1,282,299 | 1,624,572 | 477,288 | 765,874 | 336,609 | 337,131 | 175,454 | 180,296 | 180,629 | 180,565 |
| Economic Development | 387,535 | 1,305,488 | 311,172 | 357,460 | 1,172,532 | 1,349,254 | 446,998 | 512,050 | 406,027 | 458,263 |
| Public Housing | 593,925 | 403,937 | 483,684 | 315,255 | - | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Interest on Long Term Debt | 1,183,589 | 1,288,655 | 1,042,954 | 1,435,458 | 1,118,515 | 1,048,293 | 992,355 | 1,028,383 | 950,304 | 1,097,700 |
| Total Government Activities Expenses | 49,270,048 | 49,470,875 | 49,060,305 | 45,496,817 | 45,678,465 | 44,820,269 | 44,041,211 | 45,208,311 | 46,039,584 | 48,160,489 |
| Business-type Activities | | | | | | | | | | |
| Broadband supply | 26,406 | 101,000 | 156,337 | 114,178 | 140,066 | 178,451 | 173,482 | 168,411 | 296,434 | 161,515 |
| Interest on Long Term Debt -HAPS Building | 159,761 | 153,203 | 147,446 | - | - | - | - | - | - | - |
| Health and Public Service | 329,295 | 314,953 | 334,437 | - | - | - | - | - | - | - |
| Recreation | 733,518 | 694,240 | 759,223 | 619,732 | 681,819 | 495,678 | 445,607 | 525,511 | 826,827 | 783,456 |
| Public Works | 804,193 | 585,571 | 581,872 | 755,518 | 814,760 | 826,306 | 819,952 | 644,655 | 462,651 | 513,814 |
| Basic Life Support | 410,995 | 382,184 | 542,224 | 517,036 | 531,269 | 572,597 | 425,067 | 650,905 | 312,322 | 325,710 |
| Total Business-type Activities Expense | 2,464,168 | 2,231,151 | 2,521,539 | 2,006,464 | 2,167,914 | 2,073,032 | 1,864,108 | 1,989,482 | 1,898,234 | 1,784,495 |
| Total Primary Government Expenses | 51,734,216 | 51,702,026 | 51,581,844 | 47,503,281 | 47,846,379 | 46,893,301 | 45,905,319 | 47,197,793 | 47,937,818 | 49,944,984 |

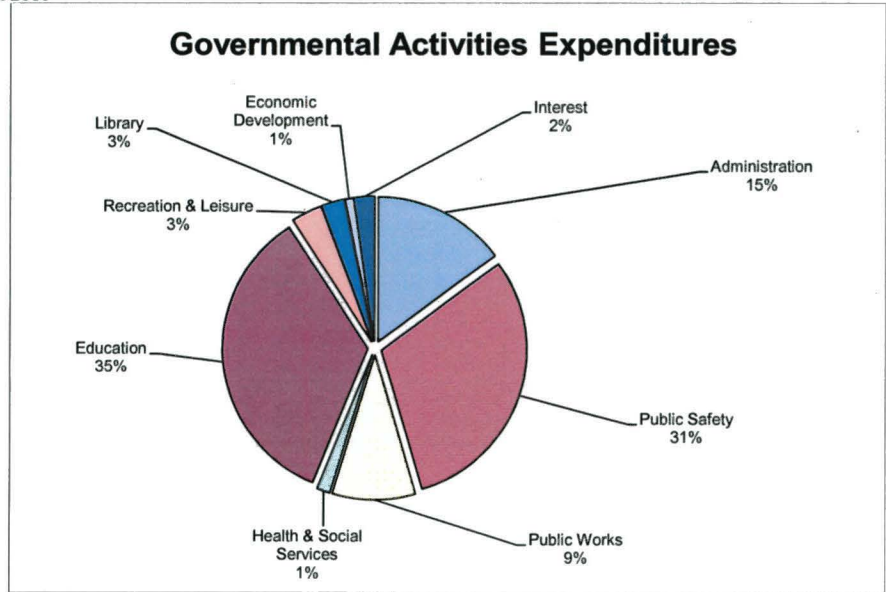
Caroline County, Maryland
Changes in Net Position
Last Ten Years
(accrual basis of accounting)
Schedule 2

| Years ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Program Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General Government | \$ 550,340 | \$ 595,842 | \$ 791,199 | \$ 745,765 | \$ 1,620,463 | \$ 1,830,440 | \$ 1,741,265 | \$ 1,732,191 | \$ 1,793,438 | \$ 1,534,066 |
| Public Safety | 2,166,655 | 2,238,088 | 1,563,683 | 1,591,734 | 1,434,151 | 2,076,878 | 2,081,724 | 1,723,674 | 1,583,591 | 1,865,558 |
| Public Works | 4,663,886 | 3,708,693 | 669,237 | 1,118,952 | 855,996 | 693,388 | 984,496 | 712,602 | 1,666,062 | 2,217,768 |
| Health | 37,557 | 33,082 | 44,993 | 48,413 | 243 | 196 | 137 | 117 | 150 | 120 |
| Social Services | 1,077,441 | 951,127 | 1,508,785 | 1,117,280 | | 7,258 | 536 | 932 | - | 1,872 |
| Recreation and Culture | 1,034,659 | 827,335 | 197,013 | 900,348 | 175,116 | 164,911 | 510,942 | 321,945 | 2,005,280 | 402,863 |
| Library | - | - | - | - | - | - | 5,500 | - | - | - |
| Conservation of Natural Resources | 166,778 | 154,706 | 240,903 | 331,508 | 164,866 | 176,201 | 130 | 74,178 | 8,338 | 89,244 |
| Economic Development | 766,205 | 1,674,404 | 266,154 | 133,372 | 1,071,275 | 1,090,517 | 285,469 | 253,119 | 143,441 | 234,969 |
| Public Housing | 504,416 | 393,834 | 455,943 | 296,401 | - | - | - | - | - | - |
| Interest | 6,636 | 11,278 | 9,365 | 7,410 | - | - | - | - | - | - |
| Total Government Activities Program Revenues | 10,974,573 | 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 |
| Business-type Activities | | | | | | | | | | |
| Charges for Service | | | | | | | | | | |
| Jonestown | - | - | - | - | - | 791,440 | - | - | - | - |
| Broadband | 56,784 | 181,160 | 152,586 | 171,450 | 219,169 | 228,248 | 229,222 | 230,235 | 468,391 | 313,479 |
| Health and Public Service | 526,558 | 498,215 | 482,358 | - | - | - | - | - | - | - |
| Recreation | 200,936 | 200,295 | 159,194 | 173,827 | 167,309 | 184,591 | 188,985 | 580,264 | 864,013 | 842,461 |
| Public Works | 829,427 | 644,480 | 648,923 | 790,680 | 863,618 | 870,044 | 891,077 | 717,510 | 505,633 | 575,206 |
| Basic Life Support | 1,028,941 | 1,063,760 | 1,145,963 | 1,150,699 | 1,407,294 | 1,343,084 | 1,409,423 | 1,419,113 | 1,497,438 | 1,491,360 |
| Operating Grants-Recreation | 534,603 | 518,977 | 617,019 | 519,800 | 467,053 | 339,869 | 285,070 | - | - | - |
| Net Transfers in | - | - | 1,765,031 | (3,975,947) | (675,176) | (769,200) | (1,598,264) | (778,944) | (1,214,467) | (1,295,605) |
| Total Business-type Activities Revenue | 3,177,249 | 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 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (38,295,475) | (38,882,486) | (43,313,030) | (39,205,634) | (40,356,355) | (38,780,480) | (38,431,012) | (40,389,553) | (38,839,284) | (41,814,029) |
| Business-type Activities | 713,081 | 875,736 | 2,449,535 | (3,175,955) | 281,353 | 915,044 | (458,595) | 178,696 | 222,774 | 142,406 |
| | (37,582,394) | (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) |

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

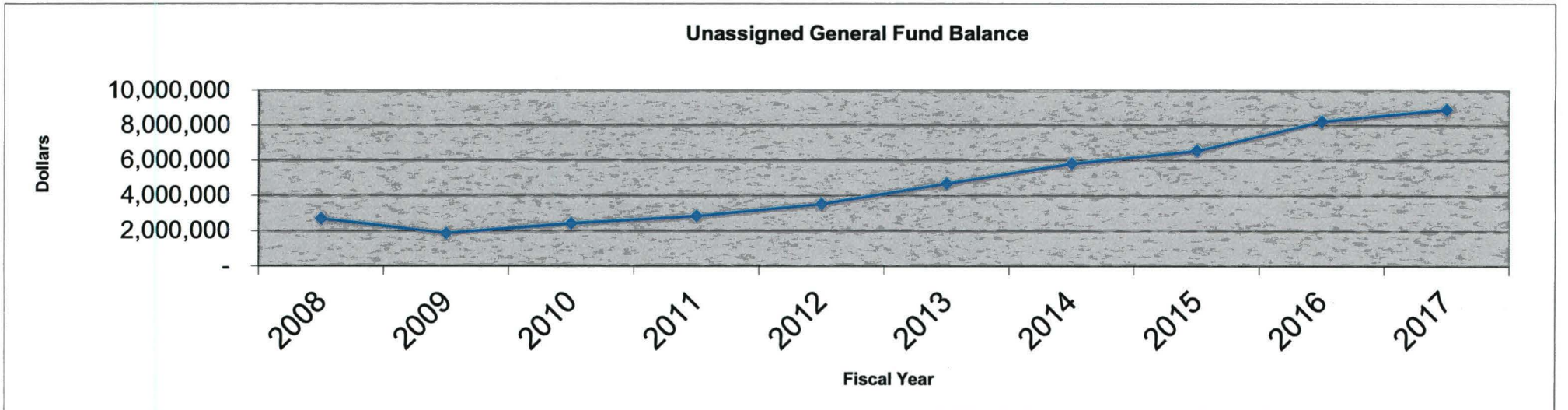
| Years ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Revenues and other Changes in Net Position | | | | | | | | | | |
| Government Activities | | | | | | | | | | |
| Property Taxes | \$ 19,369,182 | \$ 21,320,919 | \$ 23,245,019 | \$ 23,892,084 | \$ 23,932,023 | \$ 24,106,972 | \$ 24,718,235 | \$ 24,922,043 | \$ 25,339,865 | \$ 25,320,390 |
| Other Taxes | 15,082,888 | 12,293,573 | 11,831,008 | 12,323,263 | 12,489,087 | 12,948,765 | 13,056,195 | 14,722,998 | 15,297,429 | 16,075,603 |
| Operating Grants Unrestricted | 1,912,848 | 2,253,325 | 2,131,782 | 2,131,782 | 2,486,371 | 2,656,463 | 2,677,520 | 2,700,488 | 2,794,257 | 2,131,782 |
| Other | 544,817 | 232,447 | 22,311 | (60,536) | 20,076 | 20,505 | 16,265 | 16,546 | 1,406,023 | 267,156 |
| Net Transfers out | - | - | (1,765,031) | 3,975,947 | 675,176 | 769,200 | 1,598,264 | 778,944 | 1,214,467 | 1,295,605 |
| Total Government Activities/Primary Government | 36,909,735 | 36,100,264 | 35,465,089 | 42,262,540 | 39,602,733 | 40,501,905 | 42,066,479 | 43,141,019 | 46,052,041 | 45,090,536 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | (1,385,740) | (2,782,222) | (7,847,941) | 3,056,906 | (753,622) | 1,721,425 | 3,635,467 | 2,751,466 | 7,212,757 | 3,276,507 |
| Business-type Activities | 713,081 | 875,736 | 2,449,535 | (3,175,955) | 281,353 | 915,044 | (458,595) | 178,696 | 222,774 | 142,406 |
| | \$ (672,659) | \$ (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 |

* 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, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Non-Spendable | \$ 337,676 | \$ 247,230 | \$ 235,828 | \$ 245,951 | \$ 196,238 | \$ 249,857 | \$ 299,395 | \$ 192,940 | \$ 257,520 | \$ 275,927 |
| Committed | - | - | - | - | - | - | - | 600,000 | 100,000 | - |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | 2,721,888 | 1,895,700 | 2,448,436 | 2,865,037 | 3,542,706 | 4,676,874 | 5,822,858 | 6,539,975 | 8,220,622 | 8,886,812 |
| Total General Fund | 3,059,564 | 2,142,930 | 2,684,264 | 3,110,988 | 3,738,944 | 4,926,731 | 6,122,253 | 7,332,915 | 8,578,142 | 9,162,739 |
| All Other Governmental Funds | | | | | | | | | | |
| Non-Spendable | - | - | - | - | - | - | - | - | 3,000 | - |
| Restricted | 1,082,717 | 1,143,559 | 1,248,452 | 1,276,394 | 1,262,729 | 1,222,495 | 1,193,871 | 1,187,886 | 1,238,709 | 1,226,766 |
| Committed | 10,939,281 | 4,308,915 | 6,017,730 | 4,599,070 | 2,360,885 | 1,922,985 | 1,708,100 | 6,559,499 | 5,147,533 | 4,092,687 |
| Assigned | (1,154) | 92,630 | 84,962 | 83,595 | 93,166 | 614,898 | 607,011 | 611,952 | 455,606 | 415,125 |
| Unassigned | - | - | - | - | (5,433) | (1,130) | (15,953) | (11,445) | (14,563) | (17,814) |
| Total other governmental funds | 12,020,844 | 5,545,104 | 7,351,144 | 5,959,059 | 3,711,347 | 3,759,248 | 3,493,029 | 8,347,892 | 6,830,285 | 5,716,764 |
| Total | \$ 15,080,408 | \$ 7,688,034 | \$ 10,035,408 | \$ 9,070,047 | \$ 7,450,291 | \$ 8,685,979 | \$ 9,615,282 | \$ 15,680,807 | \$ 15,408,427 | \$ 14,879,503 |



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

| Years ended June 30, | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------------|--------------------|---------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues | | | | | | | | | | |
| Property and Other Taxes | \$ 38,507,631 | \$ 37,488,775 | \$ 35,450,102 | \$ 36,765,070 | \$ 36,772,497 | \$ 37,578,610 | \$ 38,173,979 | \$ 40,192,176 | \$ 41,275,355 | \$ 41,857,797 |
| License and Permits | 249,699 | 221,860 | 210,479 | 184,961 | 166,588 | 154,031 | 156,690 | 186,241 | 212,388 | 224,629 |
| Intergovernmental Revenues | 6,775,156 | 7,532,541 | 5,799,175 | 6,262,265 | 5,703,158 | 5,819,962 | 6,048,780 | 5,049,509 | 7,437,257 | 6,235,001 |
| Charges for Services | 1,191,743 | 885,550 | 768,966 | 722,778 | 793,343 | 862,590 | 798,694 | 841,228 | 818,361 | 812,841 |
| Miscellaneous Revenues | 1,189,469 | 888,268 | 855,322 | 738,248 | 663,647 | 1,357,301 | 754,707 | 757,262 | 2,280,951 | 1,023,027 |
| Total Revenues | 47,913,698 | 47,016,994 | 43,084,044 | 44,673,322 | 44,099,233 | 45,772,494 | 45,932,850 | 47,026,416 | 52,024,312 | 50,153,295 |
| Expenditures | | | | | | | | | | |
| General Government | 5,681,450 | 5,428,556 | 5,060,521 | 4,726,364 | 5,440,074 | 5,132,124 | 5,131,536 | 5,861,027 | 6,814,854 | 6,013,351 |
| Public Safety | 12,621,617 | 12,593,790 | 11,989,750 | 11,884,025 | 12,262,522 | 13,258,479 | 13,906,231 | 13,808,138 | 17,961,033 | 14,832,462 |
| Public Works | 6,897,667 | 4,893,641 | 4,122,881 | 5,413,760 | 4,956,421 | 3,776,908 | 4,677,853 | 4,978,910 | 6,064,866 | 6,562,362 |
| Health | 907,222 | 902,434 | 840,934 | 540,151 | 452,838 | 452,838 | 452,838 | 452,838 | 612,838 | 484,226 |
| Social Services | 297,356 | 305,414 | 212,422 | 138,028 | 133,412 | 131,212 | 135,638 | 138,128 | 146,828 | 218,653 |
| Primary Education | 14,641,010 | 13,103,740 | 16,619,350 | 13,498,500 | 13,927,127 | 13,497,885 | 13,416,327 | 15,739,948 | 15,532,393 | 15,142,859 |
| Secondary Education | 1,671,394 | 1,441,101 | 1,915,590 | 1,458,291 | 1,480,604 | 1,481,864 | 3,012,118 | 1,527,319 | 1,582,243 | 1,659,666 |
| Public Library | 1,584,100 | 1,450,000 | 1,200,000 | 1,100,000 | 1,111,050 | 1,109,175 | 1,114,000 | 1,135,477 | 1,176,435 | 1,205,435 |
| Recreation and Parks | 3,408,317 | 2,330,004 | 1,164,373 | 881,535 | 878,614 | 1,070,951 | 1,382,727 | 1,193,178 | 2,917,903 | 1,324,661 |
| Arts | 12,500 | 12,500 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Conservation of Natural Resources | 457,349 | 477,058 | 334,911 | 313,533 | 290,726 | 291,248 | 129,571 | 134,413 | 135,413 | 136,414 |
| Housing Rehabilitation | 100,751 | 105,283 | 33,457 | 11,725 | - | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Economic Development | 3,538,531 | 2,652,025 | 2,138,818 | 1,825,055 | 1,317,532 | 1,349,254 | 446,998 | 495,865 | 406,027 | 458,263 |
| Intergovernmental-Local | 3,090 | 3,090 | 3,090 | 3,090 | - | - | - | - | - | - |
| Historical | 6,000 | 5,000 | 4,000 | - | - | - | - | - | - | - |
| Contingency | 28,074 | 27,837 | 46,407 | 52,253 | 40,863 | 193,950 | 26,837 | 79,000 | 406,760 | 319,456 |
| Town Planning Grants | 8,500 | 8,500 | 8,500 | 8,500 | - | - | - | - | - | - |
| Capital Outlay | 69,743 | 12,435 | 61,946 | 9,588 | - | - | - | - | - | - |
| Miscellaneous | 1,167,281 | 1,573,899 | 494,416 | 507,485 | - | - | - | - | - | - |
| Debt Service | | | | | | | | | | |
| Principal | 2,185,576 | 2,459,259 | 7,342,721 | 6,235,600 | 3,081,118 | 2,558,000 | 2,399,000 | 2,509,085 | 2,676,471 | 2,499,565 |
| Interest and Fiscal Charges | 1,256,492 | 1,293,060 | 1,259,115 | 1,485,758 | 1,118,515 | 1,048,293 | 992,355 | 1,028,383 | 950,304 | 1,097,700 |
| Total Expenditures | 56,544,020 | 51,078,626 | 54,858,202 | 50,098,241 | 46,496,416 | 45,363,181 | 47,235,029 | 49,092,709 | 57,395,368 | 51,966,073 |
| Excess of Revenues Over (Under) Expenditures | (8,630,322) | (4,061,632) | (11,774,158) | (5,424,919) | (2,397,183) | 409,313 | (1,302,179) | (2,066,293) | (5,371,056) | (1,812,778) |

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

| Years ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-----------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| Other Financing Sources (Uses) | | | | | | | | | | |
| Note Issued Chesapeake College | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,520,000 | \$ - | \$ - | \$ - |
| Sale of Capital Assets | 47,956 | 6,151 | 811 | 19,987 | 65,935 | - | - | - | - | - |
| Bond Premium | 1,636 | - | - | - | - | - | - | 135,446 | - | - |
| Proceeds of Long Term Debt | 6,600,000 | - | 16,042,529 | 3,736,000 | - | - | - | 7,300,000 | 3,799,156 | - |
| Transfers In | 3,522,357 | 801,776 | 7,435,261 | 935,463 | - | - | - | 778,944 | 1,214,467 | 1,295,605 |
| Transfers Out | (3,500,045) | (4,059,491) | (9,346,919) | (265,570) | 759,675 | 769,200 | 696,068 | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>6,671,904</u> | <u>(3,251,564)</u> | <u>14,131,682</u> | <u>4,425,880</u> | <u>825,610</u> | <u>769,200</u> | <u>2,216,068</u> | <u>8,214,390</u> | <u>5,013,623</u> | <u>1,295,605</u> |
| Net Change in Fund Balance | <u>\$ (1,958,418)</u> | <u>\$ (7,313,196)</u> | <u>\$ 2,357,524</u> | <u>\$ (999,039)</u> | <u>\$ (1,571,573)</u> | <u>\$ 1,178,513</u> | <u>\$ 913,889</u> | <u>\$ 6,148,097</u> | <u>\$ (357,433)</u> | <u>\$ (517,173)</u> |
| Debt Service as a Percentage of Non Capital Expenditures (1) | 7.1% | 7.8% | 16.3% | 15.8% | 9.4% | 8.2% | 7.9% | 7.7% | 7.6% | 7.7% |

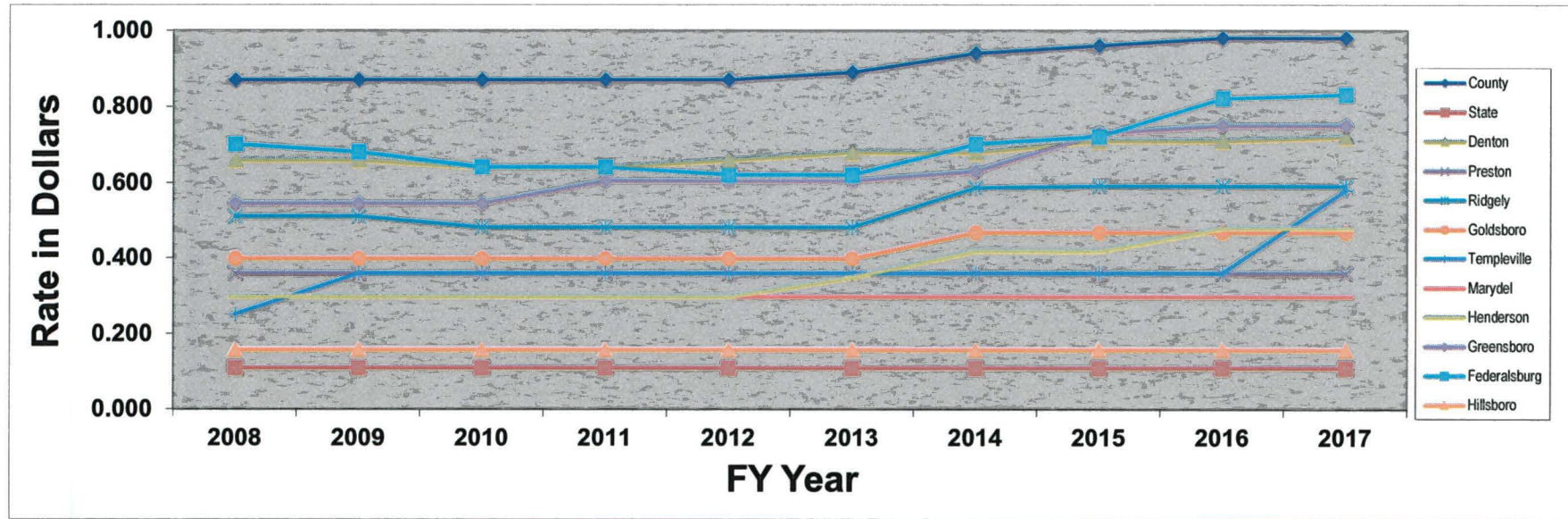
Notes
 (1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

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

Property Tax Restated to full Value

| Fiscal Year Ending June 30 | General Fund (1) | State of Maryland | Town of Denton | Town of Preston | Town of Ridgely | Town of Goldsboro | Town of Templeville | Town of Marydel | Town of Henderson | Town of Greensboro | Town of Federalsburg | Town of Hillsboro |
|-------------------------------|---------------------|----------------------|-------------------|--------------------|--------------------|----------------------|------------------------|--------------------|----------------------|-----------------------|-------------------------|----------------------|
| 2008 | 0.870 | 0.112 | 0.660 | 0.360 | 0.510 | 0.400 | 0.252 | 0.300 | 0.300 | 0.545 | 0.700 | 0.160 |
| 2009 | 0.870 | 0.112 | 0.660 | 0.360 | 0.510 | 0.400 | 0.360 | 0.300 | 0.300 | 0.545 | 0.680 | 0.160 |
| 2010 | 0.870 | 0.112 | 0.640 | 0.360 | 0.481 | 0.400 | 0.360 | 0.300 | 0.300 | 0.545 | 0.640 | 0.160 |
| 2011 | 0.870 | 0.112 | 0.640 | 0.360 | 0.481 | 0.400 | 0.360 | 0.300 | 0.300 | 0.605 | 0.640 | 0.160 |
| 2012 | 0.870 | 0.112 | 0.660 | 0.360 | 0.481 | 0.400 | 0.360 | 0.300 | 0.300 | 0.605 | 0.620 | 0.160 |
| 2013 | 0.890 | 0.112 | 0.680 | 0.360 | 0.481 | 0.400 | 0.360 | 0.300 | 0.350 | 0.605 | 0.620 | 0.160 |
| 2014 | 0.940 | 0.112 | 0.680 | 0.360 | 0.586 | 0.470 | 0.360 | 0.300 | 0.420 | 0.630 | 0.700 | 0.160 |
| 2015 | 0.960 | 0.112 | 0.710 | 0.360 | 0.590 | 0.470 | 0.360 | 0.300 | 0.420 | 0.730 | 0.720 | 0.160 |
| 2016 | 0.980 | 0.112 | 0.710 | 0.360 | 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 |

(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

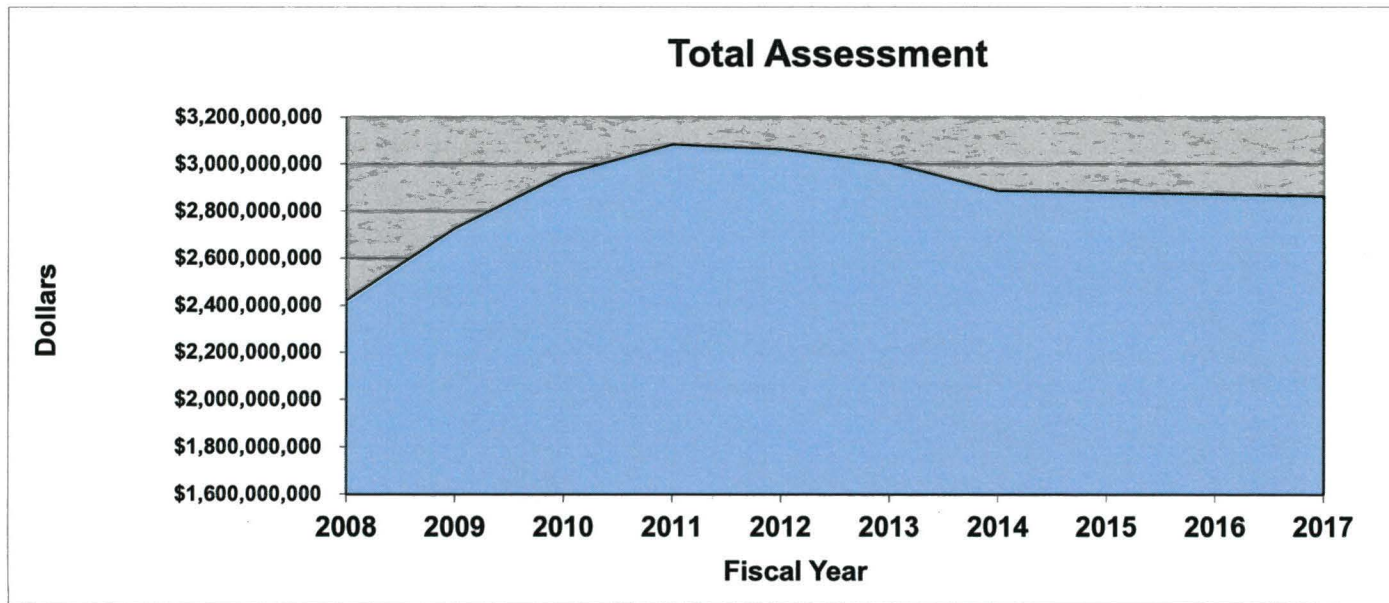


Caroline County, Maryland
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Schedule 6

| 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 |
|----------------------------|------------------------------|-----------------|------------------------------------|--------------------------|-------------------------------|----------------------|
| 2008 | \$ 2,168,863,864 | \$ 202,709,094 | \$ 2,371,572,958 | 0.870 | \$ 49,645,980 | \$ 2,421,218,938 |
| 2009 | \$ 2,410,033,590 | \$ 263,209,530 | \$ 2,673,243,120 | 0.870 | \$ 52,761,220 | \$ 2,726,004,340 |
| 2010 | \$ 2,604,398,489 | \$ 299,701,643 | \$ 2,904,100,132 | 0.870 | \$ 52,024,290 | \$ 2,956,124,422 |
| 2011 | \$ 2,699,834,799 | \$ 331,026,580 | \$ 3,030,861,379 | 0.870 | \$ 50,250,650 | \$ 3,081,112,029 |
| 2012 | \$ 2,663,868,995 | \$ 343,455,225 | \$ 3,007,324,220 | 0.870 | \$ 52,455,540 | \$ 3,059,779,760 |
| 2013 | \$ 2,611,863,442 | \$ 337,257,555 | \$ 2,949,120,997 | 0.890 | \$ 54,345,320 | \$ 3,003,466,317 |
| 2014 | \$ 2,514,718,787 | \$ 309,696,540 | \$ 2,824,415,327 | 0.940 | \$ 59,311,970 | \$ 2,883,727,297 |
| 2015 | \$ 2,489,098,343 | \$ 328,399,895 | \$ 2,817,498,238 | 0.960 | \$ 58,873,700 | \$ 2,876,371,938 |
| 2016 | \$ 2,479,932,938 | \$ 328,909,015 | \$ 2,808,841,953 | 0.980 | \$ 60,524,420 | \$ 2,869,366,373 |
| 2017 | \$ 2,478,199,130 | \$ 325,016,755 | \$ 2,803,215,885 | 0.980 | \$ 58,751,070 | \$ 2,861,966,955 |

Source: Maryland State Department of Assessments and Taxation.

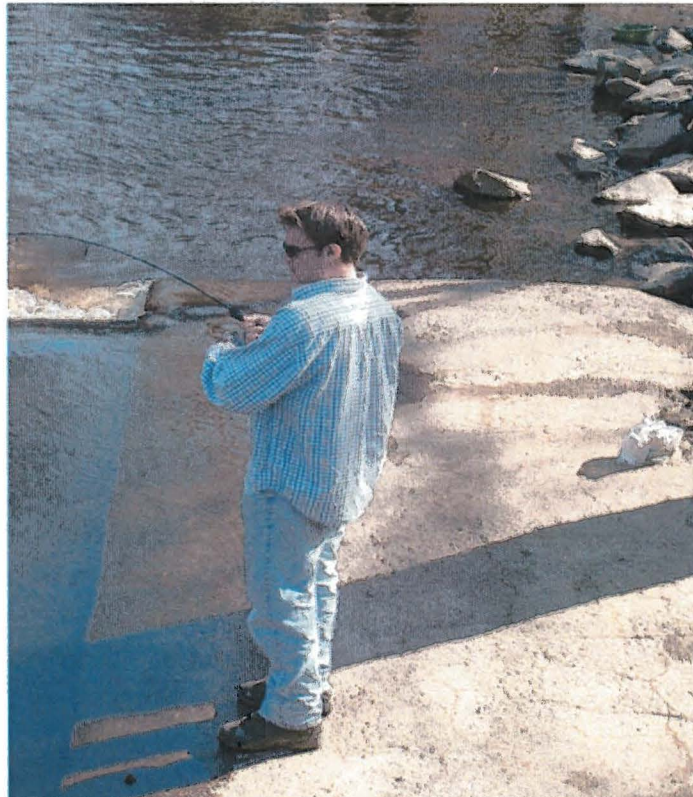
(1) This rate does not reflect the tax differential for properties located within incorporated towns



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 |
|-----------------------------------|-----------------------|---|--|--------------------------------------|--------------------------|--|
| 2008 | \$ 19,128,522 | \$ 19,093,410 | 99.82% | \$ 23,250 | \$ 19,116,660 | 99.9% |
| 2009 | \$ 21,140,313 | \$ 21,111,314 | 99.86% | \$ 20,282 | \$ 21,131,596 | 100.0% |
| 2010 | \$ 22,864,872 | \$ 22,818,426 | 99.80% | \$ 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% | \$ 47,153 | \$ 23,776,941 | 99.9% |
| 2013 | \$ 23,977,024 | \$ 23,921,365 | 99.77% | \$ 41,022 | \$ 23,962,387 | 99.9% |
| 2014 | \$ 24,557,950 | \$ 24,469,016 | 99.64% | \$ 78,918 | \$ 24,547,934 | 100.0% |
| 2015 | \$ 24,806,792 | \$ 24,704,319 | 99.59% | \$ 55,621 | \$ 24,759,940 | 99.8% |
| 2016 | \$ 25,235,902 | \$ 25,152,021 | 99.67% | \$ 35,545 | \$ 25,187,566 | 99.8% |
| 2017 | \$ 25,279,362 | \$ 25,214,782 | 99.74% | \$ - | \$ 25,214,782 | 99.7% |

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

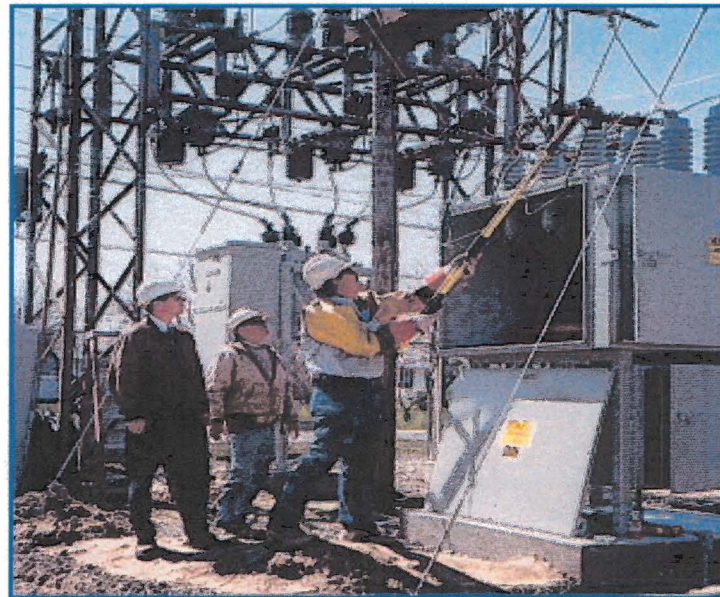


Fishing at Martinak State Park

Caroline County, Maryland
Ten Largest Principal Taxpayers
 June 30, 2017
Schedule 8

| Tax Year | | 2006 | 2016 | 2006 | 2016 | % of Total |
|--------------------------|---|-----------------------|-----------------------|------------|------------|-------------|
| Taxpayer | Type of Business | Assessed Valuation | Assessed Valuation | Tax | Tax | Tax Levy |
| Delmarva Power and Light | Electric Power | \$ 17,181,872 | \$ 28,259,890 | \$ 373,878 | \$ 691,255 | 2.73% |
| Choptank Electric | Electric Power | \$ 18,339,238 | \$ 28,580,570 | \$ 392,075 | \$ 681,683 | 2.70% |
| Verizon Maryland | Telephone utility | \$ 15,485,640 | \$ 6,179,670 | \$ 337,587 | \$ 151,402 | 0.60% |
| Walmart | Retail Store | \$ - | \$ 15,412,400 | \$ - | \$ 141,794 | 0.56% |
| Istar SCC Distribution | Cups and Containers | \$ 6,311,266 | \$ 14,176,733 | \$ 55,640 | \$ 125,906 | 0.50% |
| BOP Denton Plaza LLC | Developer/Management Company | \$ - | \$ 11,508,200 | \$ - | \$ 105,875 | 0.42% |
| East Star, LLC | Excavating | \$ 6,785,091 | \$ 7,831,367 | \$ 58,320 | \$ 76,641 | 0.30% |
| Burris Foods, Inc. | Transport of refrigerated food products | \$ 9,021,257 | \$ 6,809,400 | \$ 85,583 | \$ 66,732 | 0.26% |
| Provident State Bank | Banking Industry | \$ - | \$ 6,330,600 | \$ - | \$ 60,243 | 0.24% |
| H&M Bay, Inc. | Refrigerated trucking | \$ 5,119,394 | \$ 6,420,200 | \$ 43,164 | \$ 57,140 | 0.23% |

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

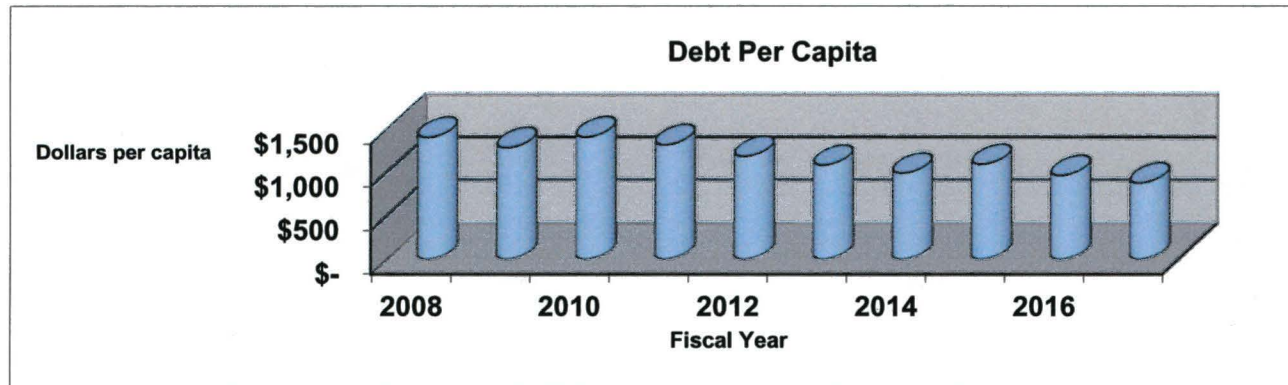


Caroline County, Maryland
Ratio of Outstanding Debt by Type
Last Ten Years
Schedule 9

| Year June 30, | Governmental Activities | | | | | | | Business-type Activities | | Primary Government TOTAL | 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) | | | | |
| 2008 | \$ 30,577,071 | \$ 195,626 | \$ 2,660,000 | \$ 583,644 | \$ 2,530,583 | \$ - | \$ 36,546,924 | \$ 3,130,000 | \$ 39,676,924 | 4.26% | \$ 1,402 | |
| 2009 | \$ 28,150,843 | \$ 162,596 | \$ 2,660,000 | \$ 541,431 | \$ 2,530,583 | \$ - | \$ 34,045,453 | \$ 2,990,000 | \$ 37,035,453 | 3.84% | \$ 1,281 | |
| 2010 | \$ 36,455,718 | \$ - | \$ 3,217,529 | \$ 497,927 | \$ 2,530,583 | \$ - | \$ 42,701,757 | \$ - | \$ 42,701,757 | 4.23% | \$ 1,405 | |
| 2011 | \$ 33,956,118 | \$ - | \$ 3,217,529 | \$ 453,188 | \$ 2,530,583 | \$ - | \$ 40,157,418 | \$ - | \$ 40,157,418 | 3.98% | \$ 1,315 | |
| 2012 | \$ 30,875,000 | \$ - | \$ 3,057,529 | \$ 407,157 | \$ 2,530,583 | \$ - | \$ 36,870,269 | \$ - | \$ 36,870,269 | 3.56% | \$ 1,179 | |
| 2013 | \$ 28,317,000 | \$ - | \$ 3,057,529 | \$ 354,834 | \$ 2,530,583 | \$ - | \$ 34,259,946 | \$ - | \$ 34,259,946 | 3.25% | \$ 1,076 | |
| 2014 | \$ 25,918,000 | \$ - | \$ 3,057,529 | \$ 1,821,219 | \$ 2,530,583 | \$ - | \$ 33,327,331 | \$ - | \$ 33,327,331 | 2.91% | \$ 980 | |
| 2015 | \$ 30,708,915 | \$ - | \$ 3,057,529 | \$ 1,730,120 | \$ 2,530,583 | \$ - | \$ 38,027,147 | \$ - | \$ 38,027,147 | 3.20% | \$ 1,086 | |
| 2016 | \$ 28,157,167 | \$ - | \$ 3,057,529 | \$ 1,626,796 | \$ 2,530,583 | \$ 3,799,156 | \$ 39,171,231 | \$ - | \$ 39,171,231 | 3.20% | \$ 954 | |
| 2017 | \$ 25,860,938 | \$ - | \$ 3,057,529 | \$ 1,529,874 | \$ 2,530,583 | \$ 3,471,097 | \$ 36,450,021 | \$ - | \$ 36,450,021 | 2.66% | \$ 866 | |

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

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



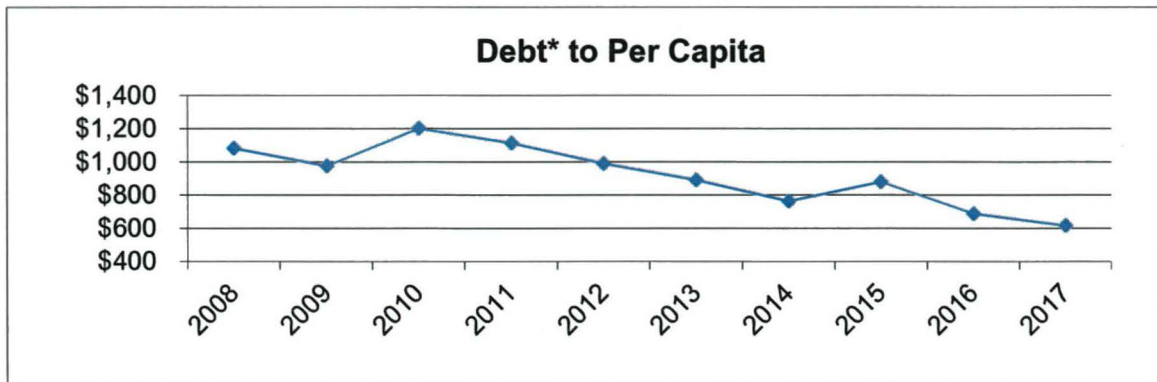
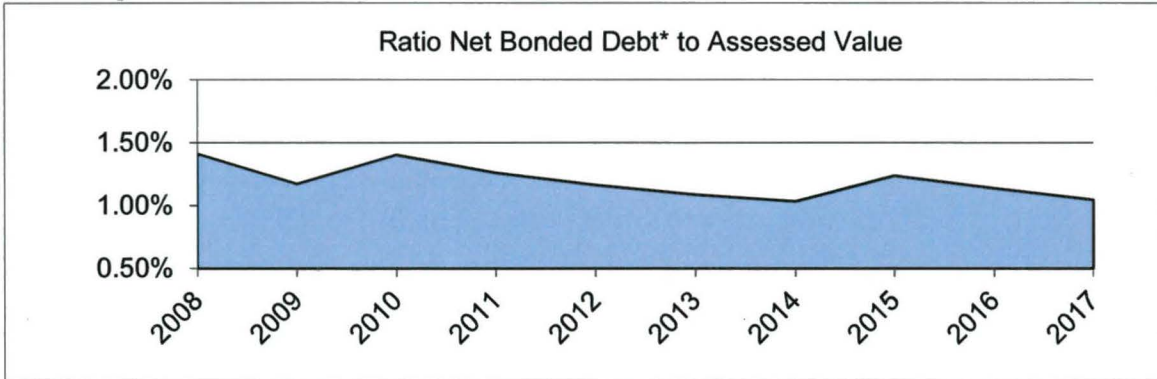
Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

| Year June 30, | General Bonded Debt | (1) Assessed Value | (2) Per Capita | Ratio Net Bonded Debt* to Assessed Value | Debt* to Per Capita |
|------------------|------------------------|--------------------------|----------------------|--|---------------------------|
| 2008 | \$ 30,577,071 | \$ 2,168,863,864 | \$ 28,303 | 1.41% | \$ 1,080 |
| 2009 | \$ 28,150,843 | \$ 2,410,033,590 | \$ 28,904 | 1.17% | \$ 974 |
| 2010 | \$ 36,455,718 | \$ 2,604,398,489 | \$ 30,389 | 1.40% | \$ 1,200 |
| 2011 | \$ 33,956,118 | \$ 2,699,834,799 | \$ 30,527 | 1.26% | \$ 1,112 |
| 2012 | \$ 30,875,000 | \$ 2,663,868,995 | \$ 31,282 | 1.16% | \$ 987 |
| 2013 | \$ 28,317,000 | \$ 2,611,863,442 | \$ 31,834 | 1.08% | \$ 890 |
| 2014 | \$ 25,918,000 | \$ 2,514,718,787 | \$ 33,990 | 1.03% | \$ 763 |
| 2015 | \$ 30,708,915 | \$ 2,489,098,343 | \$ 35,015 | 1.23% | \$ 877 |
| 2016 | \$ 28,157,167 | \$ 2,479,932,938 | \$ 41,065 | 1.14% | \$ 686 |
| 2017 | \$ 25,860,938 | \$ 2,478,199,130 | \$ 42,110 | 1.04% | \$ 614 |

* 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

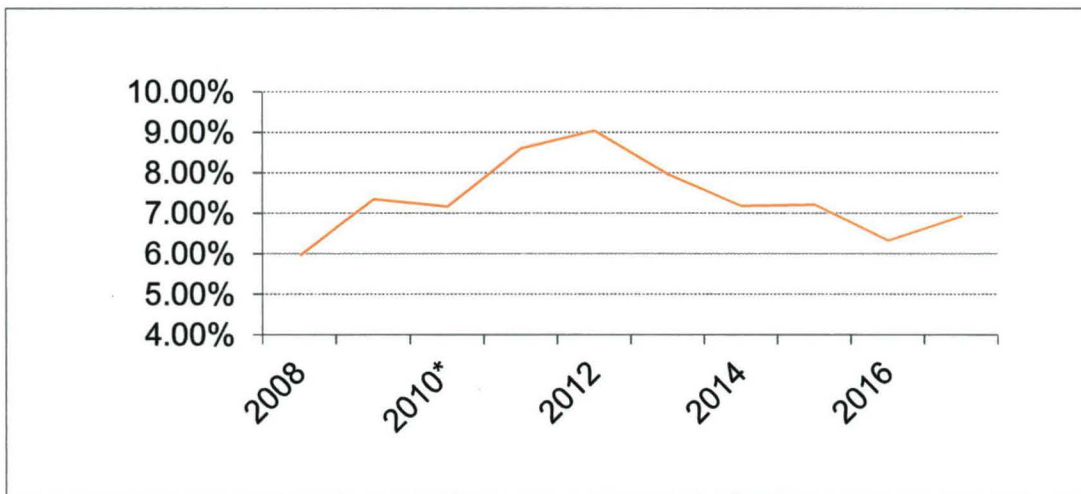


Caroline County, Maryland
Ratio of Annual Debt Service to Total Government Expenditures
Last Ten Years
Schedule 11

| Year Ended <u>June 30,</u> | <u>Principal</u> | <u>Interest & Fiscal Charges</u> | <u>Total Debt Service</u> | <u>Total Governmental Expenditures</u> | <u>Ratio of Debt Service to Total Governmental Expenditures</u> |
|-------------------------------|------------------|--|-------------------------------|--|---|
| 2008 | \$ 2,185,576 | \$ 1,186,389 | \$ 3,371,965 | \$ 56,544,020 | 5.96% |
| 2009 | \$ 2,459,259 | \$ 1,290,930 | \$ 3,750,189 | \$ 51,078,626 | 7.34% |
| 2010* | \$ 2,307,129 | \$ 1,259,115 | \$ 3,566,244 | \$ 49,822,610 | 7.16% |
| 2011** | \$ 2,499,600 | \$ 1,485,758 | \$ 3,985,358 | \$ 46,362,241 | 8.60% |
| 2012 | \$ 3,081,118 | \$ 1,118,515 | \$ 4,199,633 | \$ 46,496,416 | 9.03% |
| 2013 | \$ 2,558,000 | \$ 1,048,293 | \$ 3,606,293 | \$ 45,363,181 | 7.95% |
| 2014 | \$ 2,399,000 | \$ 992,355 | \$ 3,391,355 | \$ 47,235,029 | 7.18% |
| 2015 | \$ 2,509,085 | \$ 1,028,383 | \$ 3,537,468 | \$ 49,092,709 | 7.21% |
| 2016 | \$ 2,676,471 | \$ 950,304 | \$ 3,626,775 | \$ 57,395,368 | 6.32% |
| 2017 | \$ 2,499,565 | \$ 1,097,700 | \$ 3,597,265 | \$ 51,966,073 | 6.92% |

*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, 2017
Schedule 12

| Political Subdivision | Debt Outstanding | Percentage Applicable To County* | Amount Applicable To County |
|------------------------------------|----------------------|--|-----------------------------------|
| Caroline County Direct Debt | \$ 36,450,021 | 100.00% | \$ 36,450,021 |
| Caroline County Library | - | 100.00% | - |
| Caroline County Board of Education | 3,709,764 | 100.00% | 3,709,764 |
| Town of Denton | 1,769,539 | 100.00% | 1,769,539 |
| Town of Federalsburg | 2,488,351 | 100.00% | 2,488,351 |
| Town of Greensboro | - | 100.00% | - |
| Town of Preston | 451,944 | 100.00% | 451,944 |
| Town of Ridgely Indirect Debt | 184,756 | 100.00% | 184,756 |
| | <u>8,604,354</u> | | <u>8,604,354</u> |
| TOTAL | <u>\$ 45,054,375</u> | | <u>\$ 45,054,375</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) |
|-------------|---------------------------|--|-------------------------------------|---|--|------------------------------|------------------------------|--------------------------------|----------------------------------|---------------------------|
| 2008 | 33,138 | 932,393 | 28,303 | 418 | 5,656 | 16,462 | 15,757 | 705 | 4.3% | 36.6 |
| 2009 | 33,367 | 964,434 | 28,904 | 371 | 5,474 | 16,272 | 14,779 | 1,493 | 9.2% | 37.5 |
| 2010 | 33,217 | 1,009,420 | 30,389 | 373 | 5,551 | 16,436 | 14,890 | 1,546 | 9.4% | 36.6 |
| 2011 | 33,066 | 1,009,420 | 30,527 | 373 | 5,175 | 16,526 | 15,042 | 1,484 | 9.0% | 38.7 |
| 2012 | 33,072 | 1,034,572 | 31,282 | 364 | 5,226 | 16,693 | 15,265 | 1,428 | 8.6% | 38.7 |
| 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 |

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 6/30/2017
Schedule 14

| Firm | Product/Service | Employment | Percent of Caroline County Employment |
|------------------------------------|---|-------------------|--|
| Caroline County Board of Education | Government | 926 | 6.43% |
| Solo Cup | Cups and containers | 590 | 4.10% |
| Benedictine School | Private School for exceptional children | 425 | 2.95% |
| WalMart | Department Store/Groceries | 280 | 1.95% |
| H&M Bay | Refrigerated trucking | 263 | 1.83% |
| Caroline County | Government | 243 | 1.69% |
| Choptank Transport | Refrigerated trucking | 195 | 1.35% |
| Choptank Electric Cooperative | Electric Utility Coop | 161 | 1.12% |
| Choptank Community Health Systems | Medical Service | 140 | 0.97% |
| Tri Gas & Oil | Appliances, metered gas, fuel oil | 130 | 0.90% |
| Burriss Refrigerated Logistics | Transportation and Warehousing | 110 | 0.76% |

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 6/2007

| Firm | Product/Service | Employment | Percent of Caroline County Employment |
|------------------------------------|---|-------------------|--|
| Caroline County Board of Education | Government | 859 | 5.51% |
| Solo Cup | Cups and containers | 686 | 4.40% |
| Caroline County | Government | 223 | 1.43% |
| Choptank Electric Cooperative | Electric Power | 182 | 1.17% |
| Tri Gas & Oil | Metered gas, fuel oil, appliances | 160 | 1.03% |
| Burriss Refrigerated Services | Transport of refrigerated food products | 136 | 0.87% |
| H&M Bay | Refrigerated trucking | 125 | 0.80% |
| Hanover Foods | Processed vegetables | 110 | 0.71% |
| Maryland Plastics | Plastic tableware | 108 | 0.69% |
| Yale Sportswear | Active wear | 96 | 0.62% |

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) Bank Deposits (dollars in Millions) | (2) Avg Sale Price for a Single Family Home | (3) Total Assessed Property Value |
|-------------|---|---|---|
| 2007 | 406 | 232,821 | 2,371,572,958 |
| 2008 | 409 | 166,815 | 2,673,243,120 |
| 2009 | 391 | 164,697 | 2,904,100,132 |
| 2010 | 396 | 159,950 | 3,030,861,379 |
| 2011 | 389 | 134,500 | 3,007,324,220 |
| 2012 | 376 | 165,931 | 2,949,120,997 |
| 2013 | 370 | 153,962 | 2,824,415,327 |
| 2014 | 370 | 151,408 | 2,817,498,238 |
| 2015 | 369 | 157,794 | 2,808,841,953 |
| 2016 | 422 | 187,224 | 2,803,215,885 |

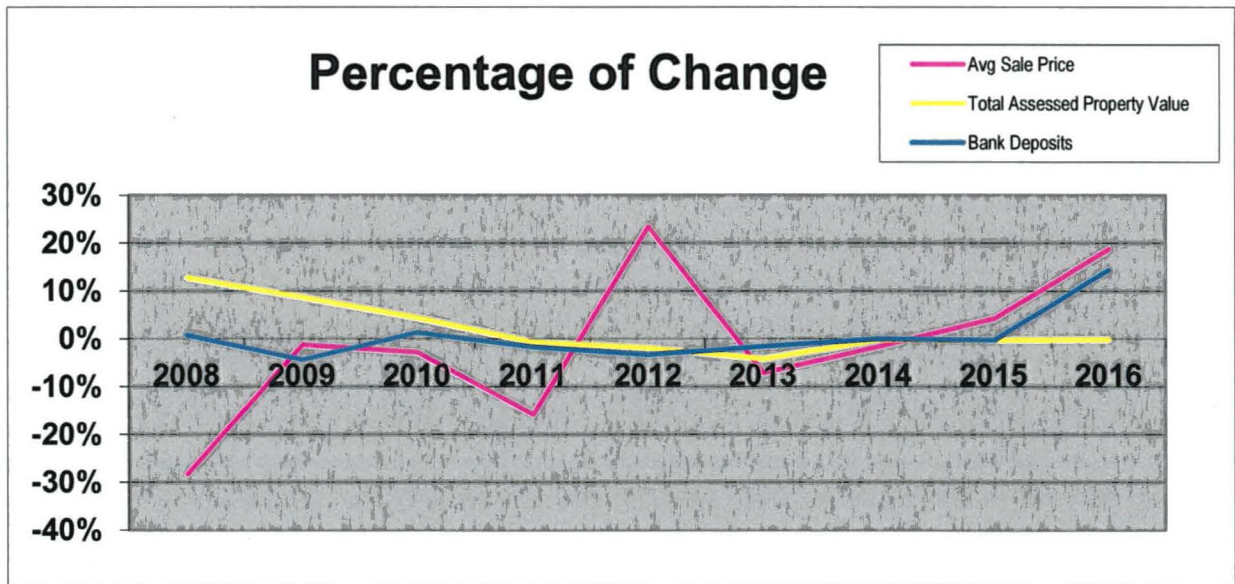
Source:

(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 2007 - 2016 (Unaudited)
Schedule 16

| Types | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
|---------------------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
| | Number Permits | Value | Number Permits | Value | Number Permits | Value | Number Permits | Value | Number Permits | Value | Number Permits | Value | Number Permits | Value |
| Homes | 75 | \$ 15,652,684 | 60 | \$ 10,198,667 | 27 | \$ 4,205,153 | 45 | \$ 5,716,254 | 22 | \$ 3,237,000 | 24 | \$ 3,924,530 | 22 | \$ 4,105,200 |
| Accessory Dwellings | 4 | 145,000 | 0 | - | 0 | - | 2 | 200,000 | 1 | 55,000 | 3 | 140,000 | 1 | 30,000 |
| Accessory Structures | 217 | 4,046,437 | 161 | 3,047,108 | 79 | 1,162,733 | 81 | 1,465,340 | 40 | 537,030 | 37 | 730,355 | 55 | 976,426 |
| Additions | 115 | 2,685,481 | 79 | 2,333,022 | 54 | 1,305,053 | 43 | 637,636 | 32 | 1,190,508 | 29 | 788,200 | 17 | 337,200 |
| Comm/Industrial & Institutional | 7 | 426,100 | 8 | 21,775,000 | 9 | 1,680,490 | 10 | 4,767,189 | 8 | 1,484,400 | 10 | 338,100 | 9 | 293,500 |
| Mobile Homes | 27 | 1,726,441 | 18 | 1,034,050 | 16 | 440,105 | 10 | 415,298 | 6 | 134,500 | 7 | 404,316 | 12 | 400,900 |
| Poultry Structures/Ag | 7 | 1,708,000 | 9 | 1,835,684 | 39 | 2,539,620 | 37 | 1,176,068 | 26 | 783,039 | 27 | 730,057 | 27 | 2,262,655 |
| Change of Use/Home Occupation | 4 | 2,150 | 3 | 62,000 | 3 | 2,750 | 0 | - | 6 | 300 | 0 | - | 2 | 27,000 |
| Shoreline Projects | 9 | 266,600 | 11 | 127,900 | 5 | 136,000 | 6 | 103,500 | 5 | 131,350 | 5 | 88,400 | 2 | 29,700 |
| Decks Pools Signs | 0 | - | 1 | 3,000 | 5 | 67,000 | 0 | - | 0 | - | 0 | - | 0 | - |
| Foundation | 0 | - | 0 | - | 0 | - | 0 | - | 36 | 336,002 | 30 | 314,924 | 31 | 456,929 |
| Renovations | 9 | 779,960 | 12 | 309,900 | 13 | 529,289 | 14 | 243,238 | 14 | 264,048 | 9 | 91,920 | 8 | 148,300 |
| Misc | 0 | - | 0 | - | 0 | - | 0 | - | 0 | - | 0 | - | 2 | 7,743 |
| Totals | 474 | \$ 27,438,853 | 362 | \$ 40,726,331 | 250 | \$ 12,068,193 | 248 | \$ 14,724,523 | 196 | \$ 8,153,177 | 181 | \$ 7,550,802 | 188 | \$ 9,075,553 |

Source: Caroline County Dept of Planning

| Types | 2014 | | 2015 | | 2016 | |
|---------------------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|
| | Number Permits | Value | Number Permits | Value | Number Permits | Value |
| Homes | 32 | \$ 6,207,520 | 38 | \$ 6,491,540 | 36 | \$ 7,186,054 |
| Accessory Dwellings | 0 | - | 0 | - | 3 | 168,980 |
| Accessory Structures | 44 | 968,104 | 86 | 2,085,813 | 106 | 2,677,567 |
| Additions | 34 | 1,411,950 | 27 | 1,104,500 | 32 | 869,900 |
| Comm/Industrial & Institutional | 12 | 1,330,088 | 10 | 1,900,250 | 12 | 1,245,500 |
| Mobile Homes | 8 | 410,039 | 15 | 809,329 | 11 | 497,500 |
| Poultry Structures/Ag | 37 | 3,636,933 | 28 | 8,070,239 | 35 | 9,358,798 |
| Change of Use/Home Occupation | 6 | 1,000 | 1 | 3,000 | 7 | 2,678 |
| Shoreline Projects | 3 | 36,000 | 5 | 95,000 | 3 | 55,000 |
| Decks Pools Signs | 0 | - | 0 | - | 0 | - |
| Foundation | 29 | 259,851 | 36 | 378,121 | 30 | 347,648 |
| Renovations | 4 | 14,200 | 6 | 15,666 | 5 | 19,176 |
| Misc | 11 | 314,400 | 13 | 652,137 | 22 | 613,790 |
| Totals | 220 | \$ 14,590,085 | 265 | \$ 21,605,595 | 302 | \$ 23,042,591 |



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

| <u>Function/Program</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | 131 | 129 | 130 | 122 | 131 | 130 | 126 | 126 | 130 | 129 |
| Public Safety | 33 | 33 | 33 | 31 | 31 | 31 | 31 | 32 | 31 | 36 |
| Public Works | 55 | 55 | 37 | 45 | 40 | 40 | 38 | 38 | 38 | 38 |
| Leisure Services | 9 | 11 | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 9 |
| Total | 228 | 228 | 210 | 208 | 211 | 210 | 204 | 205 | 208 | 212 |

Source: Caroline County Human Resources

Operating Indicators by Function/Program
 Last Ten Years

| <u>Function/Program</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government* | | | | | | | | | | |
| Payroll Checks Processed | 8,113 | 8,216 | 8,190 | 8,092 | 7,855 | 7,964 | 7,654 | 8,000 | 9,241 | 8,999 |
| Number of Checks Written | 7,200 | 6,304 | 5,664 | 5,007 | 4,351 | 4,359 | 4,320 | 4,217 | 4,185 | 4,038 |
| Purchase orders Issued | 5,200 | 2,472 | 1,869 | 1,964 | 1,779 | 1,584 | 1,820 | 1,649 | 1,699 | 1,450 |
| Public Safety (calendar year) | | | | | | | | | | |
| Sheriff Calls for Service(1) | 13,200 | 12,199 | 12,199 | 10,446 | 12,692 | 12,011 | NA | NA | NA | NA |
| 911 Calls(1) | 16,000 | 17,008 | 16,488 | 16,314 | 18,288 | 18,911 | 19,185 | 18,557 | 24,518 | 19,864 |
| Calls for Fire & EMS Dispatches(1) | 9,000 | 8,793 | 8,459 | 5,457 | 5,548 | 5,306 | 5,623 | 4,858 | 5,045 | 5,329 |
| Avg Detention Ctr Daily Population(2) | 83 | 98 | 92 | 111 | 98 | 102 | 111 | 98 | 87 | NA |
| Number of Police Stations | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Uniform Police Officers(3) | 78 | 77 | 62 | 63 | 63 | 62 | 58 | 59 | 59 | 59 |
| Number of Vehicles | 79 | 76 | 68 | 68 | 68 | 71 | 67 | 70 | 70 | 68 |
| Number of Type 1 law violations (3) | 985 | 1,211 | 1,146 | 1,221 | 1,070 | 1,013 | 888 | 750 | 727 | NA |
| Physical arrests (3) | 1,753 | 2,087 | 2,170 | 2,137 | 1,957 | 1,992 | 1,860 | 1,705 | 1,657 | NA |
| Traffic violations (3) | 4,636 | 5,935 | 7,830 | NA | 5,900 | 7,721 | 7,929 | 6,900 | 6,217 | NA |
| Public Works** | | | | | | | | | | |
| Miles of Roads Serviced | 34 | - | - | - | 38 | 38 | 38 | 43 | 40 | 46 |
| Annualized Tonnage for Collection Sites | 6,400 | 5,493 | 5,091 | 3,199 | 1,401 | 1,401 | 1,401 | 1,019 | 1,015 | 979 |
| Parks and Rec*** | | | | | | | | | | |
| Number of Programs | 310 | 312 | 313 | 313 | 313 | 313 | 313 | 307 | 234 | 234 |
| * Finance Office Records | 73,078 | 70,288 | 69,648 | 54,399 | 61,428 | 62,855 | 51,274 | 48,239 | 54,801 | 41,073 |

** 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, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Public Facilities | | | | | | | | | | | |
| Police Stations in County(1) | | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Fire & Rescue Stations(1) | | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Parks/Recreation Facilities(2) | | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 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 | | 400.91 | 399.00 | 399.00 | 399.00 | 399.00 | 399.00 | 399.00 | 399.00 | 399.00 | 399.00 |
| Vehicles in Roads Department | | 27 | 27 | 27 | 26 | 26 | 26 | 24 | 25 | 26 | 26 |
| Caroline County Sheriff Department(7) | | | | | | | | | | | |
| Vehicles in Service | | 32 | 31 | 31 | 32 | 32 | 35 | 32 | 34 | 34 | 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, 2017 (Unaudited)
Schedule 19

| | | | |
|---|------------|---|--------|
| Date of Incorporation | 1774 | <u>Board of Elections</u> -Source Local Election Staff | |
| Form of Government | Home Rule | Registered voters at last general election | 17,596 |
| Area in Square Miles | 321 | Number of votes cast last general election | 13,286 |
| | | Percentage of registered voters voting | 75.50% |
| <u>Population</u> (1) | | <u>Police Protection</u> - Source Sheriff Budget Document | |
| 1970 | 19,781 | Uniform Police Officers | 30 |
| 1980 | 23,143 | Number of Vehicles | 34 |
| 1990 | 27,035 | Number of Offenses-Sheriff Dept (2) | 1,135 |
| 2000 | 29,772 | Traffic violations (2) | 6,217 |
| 2010 | 33,066 | | |
| 2015 | 33,900 | | |
| <u>Employees</u> -Source Human Resources Records | | <u>Detention Center</u> -Source Annual Correction Report | |
| Exempt | 40 | Detention Center Officers | 30 |
| Full time | 186 | Average Daily Population (2) | 99 |
| Part time (FTE) | 17 | Average Daily Work Release (2) | 2 |
| Total | <u>243</u> | | |
| <u>County Maintained Roads</u> -Source Public Works Records | | <u>Fire Protection</u> -Source Emergency Management | |
| Paved | 399 | Number of Volunteer Stations | 8 |
| Unpaved | 76 | Number of Volunteer Members | 458 |
| Total | <u>475</u> | Equipment | |
| <u>Libraries</u> -Source Library Staff | | Engines | 19 |
| Number of Libraries | 3 | Tankers | 8 |
| <u>Education (Public)</u> -Source BOE Admin Staff | | Aerial Units | 2 |
| Number of Schools | | Rescue Units | 6 |
| High Schools | 3 | Brush Units | 10 |
| Middle Schools | 2 | Air Units (MD State Police) | 8 |
| Elementary Schools | 5 | Miscellaneous Utility Units | 7 |
| Number of Personnel | | Ambulance/Medic Units | 21 |
| Teachers | 485 | Boat dive units | 3 |
| Administrators | 47 | Command Vehicles | 8 |
| Support | 394 | Canteen | 1 |
| Other | 0 | Calls for Service- Fire/Rescue | 1,629 |
| Number of students | 5,705 | Calls for Emergency Medical | 5,329 |
| (1) 2010 Census | | <u>County Owned Recreation Facilities</u> -Source Pks & Rec | |
| (2) Caroline County Budget Document | | Parks | 10 |
| | | Parks Acreage | 484.72 |
| | | Public Landings | 4 |
| | | Open Space Acreage Actively Maintained | 115.18 |
| | | Quantity of Public Boat Ramps | 3 |
| | | Special Use Areas and Facilities | 5 |
| | | School/Recreation Park Facilities | 4 |
| | | Acreage under Development for Public Use | 19 |
| | | Protected Park land for Future Development | 350.54 |