

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



CAROLINE COUNTY, MARYLAND

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

YEAR ENDED JUNE 30, 2014

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

CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	1
Letter of transmittal	2-8
Certificate of Achievement for Excellence in Financial Reporting	9
Certain elected and appointed officials	10
Organization chart	11
Budget calendar	12
FINANCIAL SECTION	13
Independent auditor's report	14-16
Management's discussion and analysis	17-31
Basic financial statements:	
Government-wide statements:	
Statement of net position	32
Statement of activities	33-34
Governmental fund financial statements:	
Balance sheet	35
Reconciliation of total governmental fund balance to net position of governmental activities	36
Statement of revenues, expenditures and changes in fund balance	37
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	38
Proprietary fund financial statements:	
Statement of net position	39
Statement of revenues, expenses and changes in fund net position	40
Statement of cash flows	41
Fiduciary fund financial statements:	
Statement of fiduciary net position	42
Statement of changes in fiduciary net position	43
Component units:	
Combining statement of net position	44
Combining statement of activities	45
Notes to financial statements	46-89
Required supplementary information:	90
Budgetary comparison schedule – general fund	91-95
Schedule of changes in net pension liability and related notes – Caroline County, Maryland Employees' Pension Plan	96
Schedule of employer contributions – Caroline County, Maryland Employees' Pension Plan	97
Other Postemployment Benefit Plan - Funding Progress and Schedule of Employer Contributions	98
Notes to the Required Supplementary Information	99

FINANCIAL SECTION (continued)

Other supplementary information:	100
Combining balance sheet – other governmental funds	101-104
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds	105-108
Combining statement of fiduciary net position – agency funds	109
Combining statement of changes in assets and liabilities – agency funds	110-113
Combining statement of net position – other proprietary funds	114
Combining statement of revenues, expenses and changes in fund net position – other proprietary funds	115
Combining statement of cash flows – other proprietary funds	116
Budgetary comparison schedule – capital improvements fund	117
Budgetary comparison schedule – educational facilities fund	118
Budgetary comparison schedule – special revenue funds	119-123
Revenue and expenditure detail – Highway users	124
Expenditure detail – contingency fund – actual vs. budget	125
STATISTICAL SECTION	126
Statistical section index	127
<u>Schedule</u>	
1 Net position by component	128
2 Changes in net position	129-131
3 Fund balances of governmental funds	132
4 Revenues, expenditures and changes in fund balance – governmental funds	133-134
5 Property tax rates direct and overlapping governments	135
6 Assessed and estimated value of taxable property	136
7 Real property tax levies and collections	137
8 Ten largest principal taxpayers	138
9 Ratio of outstanding debt by type	139
10 Ratio of general bonded debt outstanding	140
11 Ratio of annual debt service to total government expenditures	141
12 Computation of direct and overlapping general obligation bonded debt	142
13 Demographic statistics	143
14 Major employers in Caroline County	144
15 Deposits of all FDIC-insured institutions operating in Caroline County	145
16 Building permit statistics	146
17 Caroline County government employees by function/program	147
18 Capital asset statistics	148
19 Miscellaneous statistics	149



INTRODUCTORY SECTION

COUNTY COMMISSIONERS *of* CAROLINE COUNTY, MARYLAND

JEFFERSON L. GHRIST
PRESIDENT

WILBUR LEVENGOOD JR
MEMBER

LARRY C. PORTER
VICE PRESIDENT

SARA B. VISINTAINER
CHIEF OF STAFF

KEN DECKER
COUNTY ADMINISTRATOR

HEATHER PRICE
COUNTY ATTORNEY

October 30, 2014

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, 2014*, is hereby submitted in accordance with state and local law. These laws require that Caroline County issue a report of its financial position and activity annually and that this report be audited by an independent firm of licensed certified public accountants selected by the County Commissioners. Management is responsible for both the accuracy of the data and the completeness and reliability of all of the information presented in this report.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner that presents fairly the financial position and results of operations of Caroline County Government and its component units. All disclosures necessary to enable the reader to gain an understanding of Caroline County's financial activities are included.

The managers of local government entities are responsible for establishing and maintaining an internal control structure designed to ensure that government assets are adequately protected from loss, theft or misuse and to ensure that accurate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement.

Caroline County government's financial statements have been audited by TGM Group, LLC, an 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, 2014, are presented fairly and in

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

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

Generally Accepted Accounting Principles require that the management team provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Caroline County Government Profile

Caroline County was created in 1774 by Maryland's last colonial governor from portions of Dorchester and Queen Anne's Counties. Caroline County has a Code Home Rule form of government, operating under the Local Government Article of the Annotated Code of Maryland. The County is governed by a three-member Board of County Commissioners, one of whom serves as President. All three County Commissioners are elected at-large and serve a four-year term. Both the executive and legislative functions of County government are vested in the County Commissioners. The County Commissioners may only exercise such powers as are conferred by the Maryland General Assembly, including authorization to issue debt to finance capital projects. The County Commissioners are empowered to levy a property tax on both the real and personal properties within its boundaries.

There are ten incorporated municipalities in Caroline County: Denton, Federalsburg, Goldsboro, Greensboro, Henderson, Hillsboro, Marydel, Preston, Ridgely, and Templeville. These incorporated municipalities are chartered local governments under Maryland law and are served by elected representatives. While Caroline County maintains positive relationships with the ten municipal governments, they are separate legal, corporate and financial entities.

Caroline County is located on Maryland's Eastern Shore, situated midway between Maryland's northern and southern borders, and the Chesapeake Bay and the Atlantic Ocean. It shares the historic Mason Dixon line with Delaware on its eastern border. It is bordered on the north by Queen Anne's County, on the west by Talbot County and on the south by Dorchester County. The County is 321 square miles in area and is approximately 10 miles wide at its midsection and 28 miles long. Denton is the County seat and principal town, with a population of 4,418 according to the 2010 Census. Denton is located 61 miles east from Baltimore, and 75 miles east of Washington, D.C. A major east-west roadway is Maryland Route 404, which connects with U.S. Route 50, U.S. Route 13, and is also served by U.S. Route 301. Caroline County is in the Atlantic Coastal Plain and its land area includes level terrain with streams and rivers flowing into the Chesapeake Bay. Notable water bodies in Caroline County include the Choptank and Tuckahoe Rivers.

The County is rural in character, with vegetable, grain and poultry farming as major industries. The County is part of a federally recognized “Ag Preservation Corridor” on the Delmarva Peninsula. Land preservation efforts are intended to preserve this increasingly unique area. In an effort to increase economic stability and job availability, Caroline County has had some success in diversifying its economic base. Three industrial parks, predominantly occupied by manufacturing businesses, have resulted from that effort.

Caroline County government serves a population of 33,128 (updated 2010 Census) with a full range of governmental services including public safety (police, corrections, emergency medical services, emergency management/911, and volunteer fire protection), road and bridge maintenance, solid waste collection sites, recreation and parks, zoning and code enforcement, health and social services, public education, long-range planning and the general administrative 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 staff, the County Commissioners prepare revenue estimates for the coming fiscal year. All department and allied agencies funded by the County are sent budget request packages with general information on the County’s financial situation and the Commissioners’ expectations.

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

The County Commissioners are required to adopt a budget and real property tax rate for the succeeding fiscal year by June 30 annually, the close of the County’s fiscal year. As a practical matter, property tax rates must be decided before late May. A flow chart of the budget process and calendar is included within this report, as listed in the table of contents.

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.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is viewed from the broader perspective of the economic environment within Caroline County.

Local Economy

Caroline County is a subset of the state, regional and national economy. Five years after the Great Recession, the U.S. faces myriad issues including high unemployment, stagnant income levels, increasing prices, and a growing sense that while Wall Street has enjoyed a recovery, Main Street has not.

Caroline County's unemployment rate of 7.0 percent remains higher than historic norms and well above the state average of 6.2 percent, as of June 2014. The unemployment rate also does not reflect residents who have given up looking for work, i.e., the jobless rate.

Five years after the recession, wage levels have not recovered. Both average and median household incomes are below 2007 levels when adjusted for inflation. Well-paying jobs remain scarce and more people are working part time and without benefits. The poverty rate in Caroline County is nearly 15 percent. Nearly 60 percent of Caroline County school children participated in the Free and Reduced Price Meals Program (FARMS).

The economic situation in Caroline County has not been helped by the State of Maryland. The Free State had zero economic growth (GDP) in 2013. This was due to Maryland's historic reliance on federal spending and the impact of federal budget cuts. Some economists also attribute the lack of expansion to Maryland's tax burden and regulatory environment.

Maryland was ranked 41st on the Tax Foundation's Business Climate Tax Index. The Foundation also published an analysis of tax revenue migration where Maryland ranked 43rd out of the 50 states having lost \$5.5 billion in personal income between 2000 and 2010. This disaffection was captured in a 2014 Gallup poll where Americans were asked if they would move to another state if they could. Maryland made third on the list with 47 percent of residents saying they would leave if they had the chance.

As a local economy, Caroline County is unique on Maryland's Eastern Shore. It is the only county without frontage on the Chesapeake Bay and the attendant high-value residential properties. The County also is heavily dependent on agriculture with around 60 percent of the County's land dedicated to farming, a sector of the economy under increasing pressure from environmental regulations and market forces.

Over half of working residents commute to work locations outside the County, primarily to Talbot County (Easton) and the Annapolis/Baltimore/Washington area or into Delaware. Before the recession, the demand for housing in Caroline County was strong due to affordability and manageable commuting distances. This pressure for development has subsided with the lackluster regional economy. The collapse in housing prices also made housing more affordable throughout the area while fuel prices have increased the cost of commuting.

The decline in residential construction may evolve into a long-term trend. As in most rural areas, most residential dwellings in Caroline County rely on private wells and septic systems. New regulations requiring upgrades like “best available technology” septic systems and fire suppression sprinkler systems in residential dwellings will significantly increase the cost of new home construction. Complicating matters, housing prices have only stabilized with artificially low interest rates. This combination of factors does not bode well for a local recovery buoyed by residential home construction.

While Caroline County has a strong local labor force, there are challenges to the expanding commercial and industrial base. Nearby states (Delaware) offer a more attractive business climate. Transportation infrastructure is limited, particularly MD Route 404 (“Shore Highway”), a highway often congested due to seasonal traffic and the State of Maryland’s failure to widen the road to four-lanes.

Long-Term Financial Planning

The County Commissioners’ six-year capital program is a tool for long-term financial planning to meet major needs. Pursuant to the County Code, the County Administrator presents the six-year capital projects plan to the County Commission. The County Commissioners hold public hearings regarding the capital program and adopt the first year as the capital budget for the coming fiscal year.

After the virtual elimination of Maryland State Highway User Revenues, the County greatly reduced capital spending as reflected in the approved budgets. The County Commissioners recognize the significant issue of deferred maintenance, particularly with regard to roads, bridges, vehicles and equipment. The Commissioners further recognize the need to address the condition of aging public buildings, including local schools, and that a sustainable capital improvement plan will require structural changes in the budget. As noted in the Executive Summary of the MD&A, the County Commissioners allocated unanticipated revenues and cost savings towards capital; however, the overall level of investment remained below recommended levels.

Caroline County has an adopted policy to maintain a general (unassigned) fund balance of five percent of total budget expenditures. This fund balance is set aside for exigent circumstances like an emergency or natural disaster. The County has not had occasion to use these funds in the past fiscal year. In the event they are needed, the fund must be replenished within two years. As of June 30, 2014, unreserved fund balance exceeded 5% of budgeted expenditures.

As noted in previous transmittal letters, one of the major challenges to long-range financial planning is the State of Maryland and its continued fiscal instability. Caroline County is absorbing an increasing share of the cost of local teacher pensions, funding expensive new environmental mandates, and managing cuts in funding streams to local government like Highway User Revenues and Police Aid.

Maryland continues to have a structural deficit issue despite significant cuts to local government and ongoing “cost shifting.” While Caroline County’s budget has decreased from its high water mark in 2007, the State of Maryland’s budget has increased by roughly 36 percent in the past eight years. Until the State addresses its financial woes, long-range financial planning by local governments will be highly speculative, at best.

Local Fiscal Philosophy

The Caroline County Commissioners have maintained a philosophy of fiscal conservatism. While the Board remains opposed to tax increases, the Commissioners did approve a hike of five cents in the property tax rate and one-tenth of one percent in the local income tax rate. The increase to the property tax was necessary to offset declining property assessments (and revenues) and to underwrite the increasing cost of teacher pensions. The hike in the local income tax rate was earmarked for future capital investment.

Caroline County government operates on a core services model. Despite seven years of austerity budgets, the County and its allied agencies have continued to deliver the same level of services. The Commissioners also have a strong stewardship ethic and have taken decisive steps to address the County's unfunded liability situation. FY 14 marked the first year of implementation of comprehensive pension reform. The County continued to buy down excess sick leave, lowered the base level of health care insurance provided to employees, funded a modest one-percent increase in wages and continued to work towards more efficient service delivery.

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

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated staff of the Caroline County Office of Finance, Caroline County Tax Office, and the Office of the County Commissioners. Special recognition is given to Margaret Roe and Catherine Moore for their effort in providing outstanding financial acumen, timely reporting and keen analysis. I am deeply appreciative for the fiscal prudence of the County's allied agencies, including, but not limited to, the Caroline County Board of Education. The County's department heads deserve recognition for maintaining positive staff morale and delivering results in the most challenging financial climate since the Great Depression of the 1930s. Finally, delivering this report is only possible through the continued leadership, courage and commitment of the Caroline County Commissioners.

Respectfully submitted,

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

Ken Decker
Caroline County Administrator

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



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**Caroline County, Maryland
Governmental Organization
Certain Elected and Appointed Officials
As of June 30, 2014**

Certain Elected Officials

County Commissioners

Jefferson L. Ghrist, President
Larry C. Porter, Vice President
Wilbur Levensgood, 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
George Jamar

Independent Auditor

TGM Group LLC
Certified Public Accountants
Salisbury, Maryland

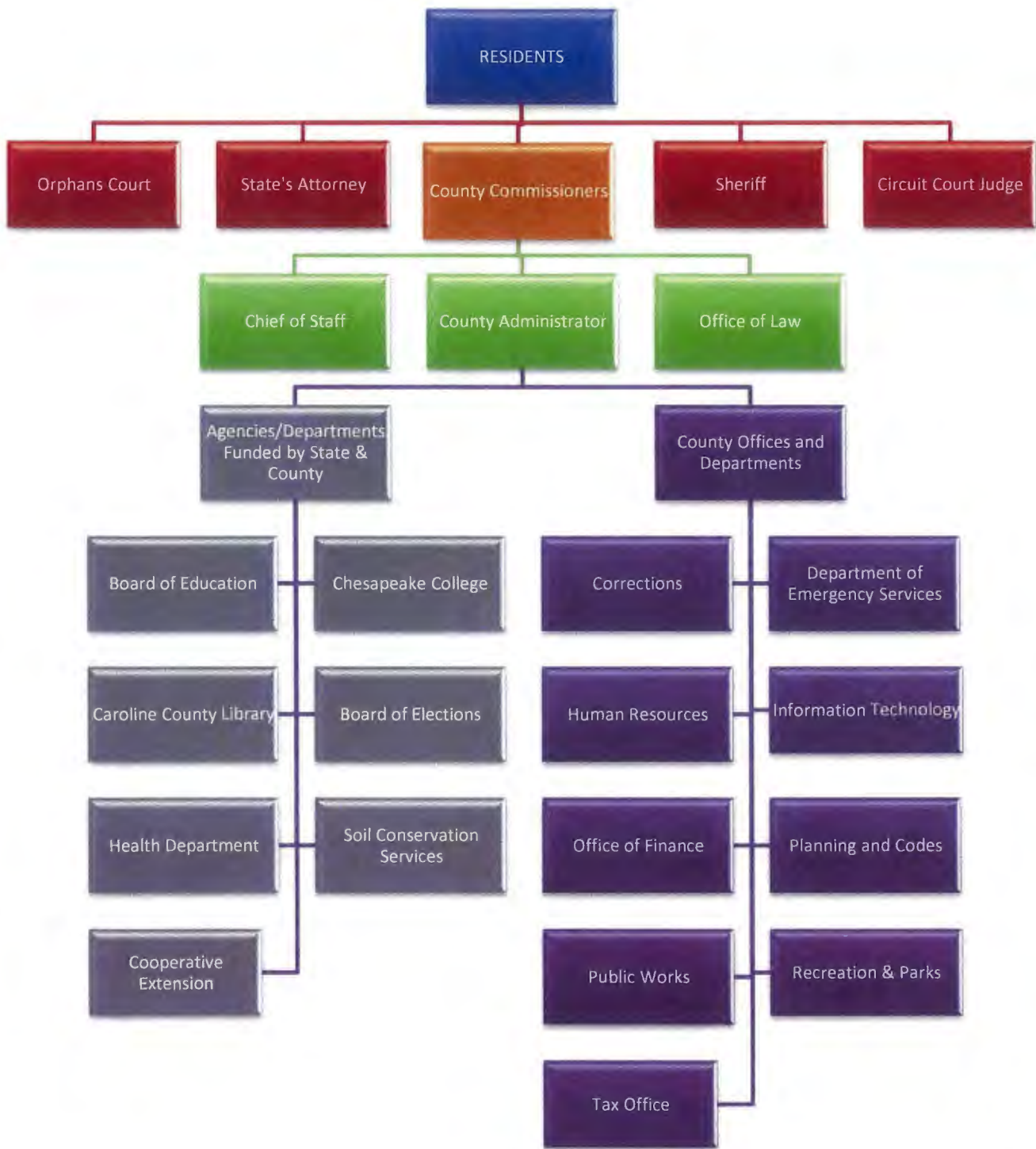
Bond Counsel

Funk and Bolton, P.A.
Baltimore, Maryland

Financial Advisor

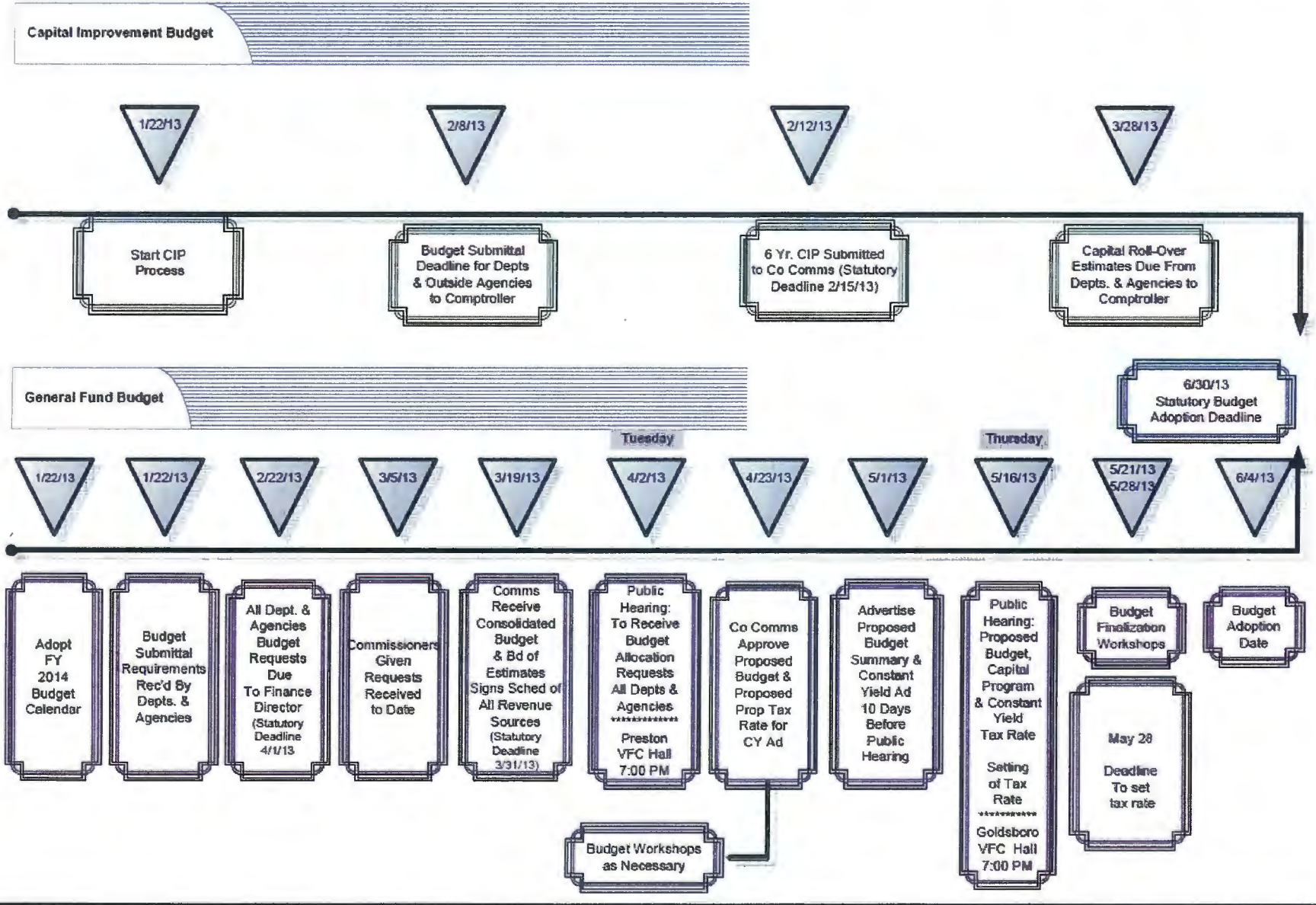
Davenport & Company LLC
Towson, Maryland

CAROLINE COUNTY GOVERNMENT ORGANIZATIONAL CHART



Agencies and departments shown in gray boxes are not under the control or supervision of the County Commissioners but are partially or wholly funded by County appropriation either under state law or at the discretion of the Commissioners.

FY 2014 BUDGET CALENDAR CAROLINE COUNTY, MARYLAND





FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The County Commissioners of
Caroline County
Denton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Caroline County, Maryland (the "County") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, 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 "YAM Group LLC". The signature is written in a cursive, stylized font.

Salisbury, Maryland
October 30, 2014

Executive Summary

Management Discussion and Analysis

Caroline County Government, FY 14 Financial Audit

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

The bulk of a financial audit is numbers. The goal of the “Management Discussion and Analysis” is to offer some insight into what the numbers mean.

What is an audit?

A good place to begin is to explain what an audit is (and is not). The audit is an independent and objective evaluation of an organization’s financial statements. What this means—in plain English—is that a team professional auditors/accountants review records in painstaking detail to ensure “the books” are accurate. When finished, the audit firm issues a comprehensive report (the audit) and notes any issues (findings).

As required by state law, Caroline County government is audited by an independent firm every year. The process begins before the end of the fiscal year (June 30) and wraps up in the fall.

Caroline County goes above and beyond normal audit requirements and follows the comprehensive annual financial report format established by the Government Finance Officers Association (GFOA). For ten consecutive years, the County has received the “Certificate of Achievement for Excellence in Financial Reporting” from GFOA, essentially the gold standard in the business of local government accounting. In a nutshell, this means the County keeps excellent financial records. What most citizens want to know, however, is the financial condition of County government.

What is the County’s financial condition?

In the MD&A of the FY 13 audit, the senior management team wrote that the County had “turned a financial corner.” The team also wrote that, “While considerable work remains, particularly in tackling deferred maintenance, the County is making positive progress in improving its fiscal situation.”

That same observation is accurate looking at the past fiscal year. Through careful budgeting, frugal management, and policy changes, the County continued its climb out of the financial hole created by the Great Recession.

Revenues

The FY 14 budget included a five-cent property tax increase. With property values continuing to fall, the reassessment of the northern portion of the County resulted in a revenue loss of about \$800,000. Three cents of the nickel tax increase was necessary for the County to break even. The remaining two cents covered the increased County responsibility for underwriting local teacher pensions.

The Commissioners also increased the County's income tax rate one-tenth of one percent. Because of the time lag in receiving income tax revenues, this change will not be felt until FY 15. The future increase in revenues is earmarked for capital spending.

In addition to changes in tax rates, the Commissioners continued to make progress towards a fee-for-service model. Fees for mosquito spraying were increased to make the program self-sustaining.

Conservative projections, careful management, and good luck resulted in a budget surplus. For the second consecutive year, the County did a spring "sweep" of general fund balance above the five-percent of operating revenues held as a reserve. About two-thirds of the roughly \$1 million was allocated towards road maintenance. The remainder was spent on capital including fleet purchases.

Expenditures

FY 14 marked another year of austerity for Caroline County government. As with most local governments, employee compensation is the single biggest cost. County employees did not receive a pay increase or cost-of-living adjustment between FY 08 and FY 13. Adjusted for inflation, this meant a painful decrease of over ten percent in take-home wages.

The Commissioners ended the pay increase drought by granting a modest one-percent hike for all County employees except senior management. The bump in wages was funded largely by a change in the baseline health insurance plan. While the County moved to a less generous plan, employees had the option of paying the difference in premiums to keep the old plan.

FY 14 marked the first year of pension reform implementation. The comprehensive reform adopted by the Commissioners required employee contributions for the first time in the plan's history. To offset the impact to existing employees, the Commissioners made a verbal commitment to commensurate pay increases in the coming years. The first year phase-in of the one-half percent contribution requirement for employees was offset by a one-half percent pay increase (in addition to the one percent raise already noted).

The County Commissioners required every department and allied agency to submit a flat budget request (no increase in spending). As a practical matter, the Commissioners only have direct control over about 25 percent of the County's budget. The bulk of the County's financial obligations are mandatory including the local Board of Education (including teacher pensions), Chesapeake College, the local judicial system, corrections, state agencies, the Sheriff's Office, and debt service. While not required by law, many residents would disagree with the notion that functions like Emergency Medical Services (EMS), support for volunteer fire companies, and funding the library are "discretionary."

The FY 14 budget did not include any major service reductions to residents. Cost cutting measures included filling more full-time position with part-time and contractual employees, privatizing the County's three solid waste collection sites, and continued limits on capital spending.

Infrastructure

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

The Future

Officially, "The Great Recession" occurred from December 2007 to June 2009. In reality, Caroline County—as a local government and as an area—has not fully recovered from that economic downturn. Compounding the problem, between 2009 and the present the State of Maryland slashed funding to local governments and created unprecedented new unfunded mandates. The State also adopted sweeping new regulations meant to limit residential growth in rural areas.

The FY 14 audit is simply a one-year "snapshot" of the County's financial records. Taken on its face, it shows a very lean County government slowly improving its fiscal situation. While the senior management team is pleased with this progress, the audit must be considered in a larger context.

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

The senior management team remains concerned that expenditures—particularly those for state-mandated functions—will outstrip normal revenue growth. Without substantial (and unanticipated) increases in personal income, property values, or state aid, the County will face difficult choices even with visionary governance and prudent financial management. That said, the County can take a measure of pride in an audit that reflects outstanding stewardship of public money and that faces the future with a clear-eyed pragmatism.

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, 2014. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

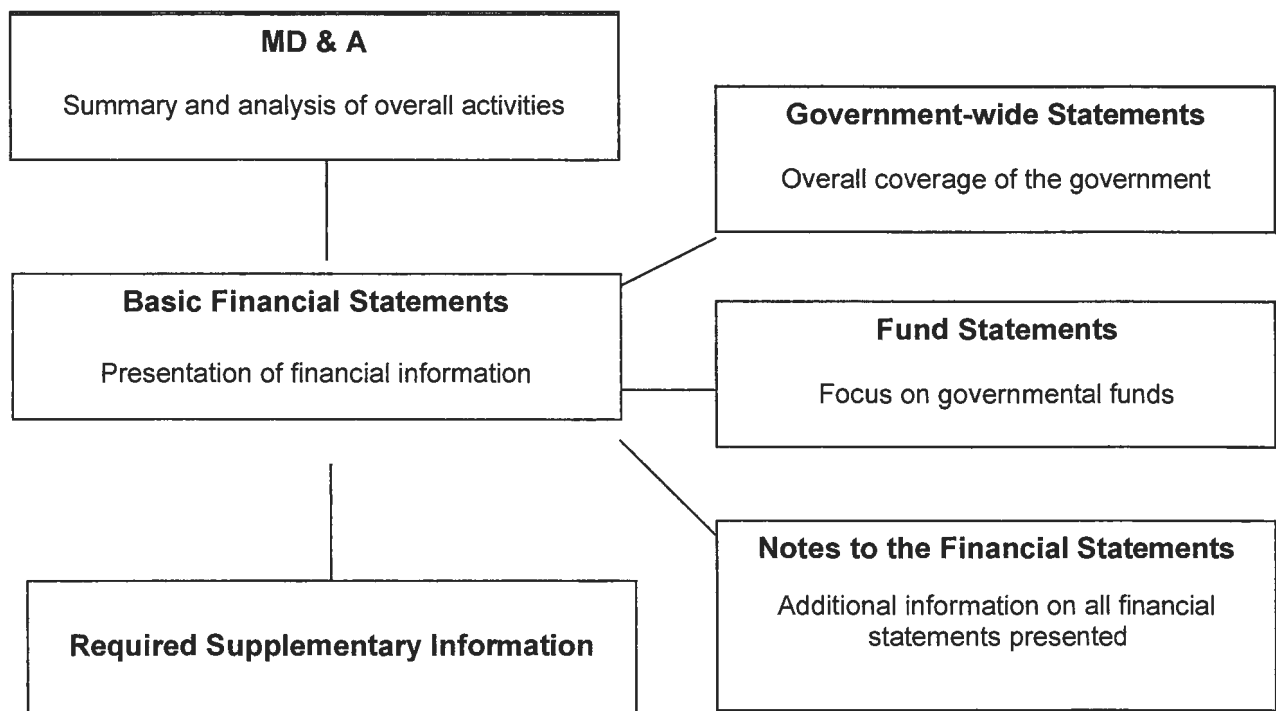
Financial Highlights

- Total fund balance for the General Fund was \$6,122,253 at June 30, 2014.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$ 36,412,280 (net position). Of total net position \$9,189,199 (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 \$3,176,872 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, 2014, the County's governmental funds reported combined fund balances of \$9.6 million, an increase of \$.9 million from the prior year. Approximately \$ 5.8 million is available to meet the County's current and future needs (unassigned fund balance). Approximately \$ 3.8 million is reserved. None of the reserved fund balance is budgeted for use in the FY 2015 budget.
- Unassigned fund balance for the General Fund was \$5,822,858 for the year ended June 30, 2014.
- Long-term Liabilities include approximately \$ 25.9 million in bonds payable, approximately \$ 4.9 million in loans and notes payable, and landfill closure costs of approximately \$ 2.3 million

Overview of the Financial Statements

This discussion and analysis offers an introduction to the County's basic financial statements. Caroline County's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

Financial Statement Presentation



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

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

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net 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, detention center, planning, codes enforcement, education, highway and street maintenance, health, parks and recreation. The enterprise activities of the County include Emergency Medical Services, Recreation and Parks, Public Works enterprise fund, and Broadband.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term 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 and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found within this report, as listed in the table of contents.

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

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

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

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

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

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

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

Government-wide Financial Analysis

This is the eleventh reporting period in which Governmental Accounting Standards Board (GASB) Statement No. 34 has been applied in the preparation of the financial statements of Caroline County Government.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$16,032,821	\$15,406,326	\$1,376,389	\$1,024,636	\$17,409,210	\$16,430,962
Capital assets, net of depreciation	57,295,281	55,998,538	240,041	1,194,728	57,535,322	57,193,266
Total assets	73,328,102	71,404,864	1,616,430	2,219,364	74,944,532	73,624,228
Noncurrent liabilities	36,972,575	38,088,369	-	-	36,972,575	38,088,369
Other liabilities	1,350,916	1,947,351	208,761	353,100	1,559,677	2,300,451
Total liabilities	38,323,491	40,035,720	208,761	353,100	38,532,252	40,388,820
Net position:						
Invested in capital assets, net of related debt	25,789,169	22,400,051	240,041	1,194,728	26,029,210	23,594,779
Restricted	1,193,871	1,222,495	-	-	1,193,871	1,222,495
Unrestricted	8,021,571	7,746,598	1,167,628	671,536	9,189,199	8,418,134
Total net position	\$35,004,611	\$31,369,144	\$1,407,669	\$1,866,264	36,412,280	33,235,408

Net position may serve over time as a useful indicator of a government's financial position. In Caroline County, assets exceeded liabilities by approximately \$36.4 million at the close of the most recent fiscal year, which is an increase of \$3.1 million from the previous year.

By far, the largest portion of Caroline County's net position, approximately \$26.0 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 \$9.2 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$1,582,717	\$2,149,331	\$2,718,707	\$2,625,967	\$4,301,424	\$4,775,298
Operating grants	2,489,848	3,303,741	285,070	339,869	2,774,918	3,643,610
Capital grants	1,537,634	586,717	-	791,440	1,537,634	1,378,157
General revenues:						
Property taxes	24,718,235	24,106,972	-	-	24,718,235	24,106,972
Other taxes	13,056,195	12,948,765	-	-	13,056,195	12,948,765
Operating grants (Unrestricted)	2,677,520	2,656,463	-	-	2,677,520	2,656,463
Other	16,265	20,505	-	-	16,265	20,505
Total Revenues	46,078,414	45,772,494	3,003,777	3,757,276	49,082,191	49,529,770
Program Expenses:						
General Government	5,589,617	6,157,331	-	-	5,589,617	6,157,331
Public Safety	13,339,410	13,784,479	-	-	13,339,410	13,784,479
Public Works	4,057,284	4,142,162	-	-	4,057,284	4,142,162
Health	452,838	454,796	-	-	452,838	454,796
Social Services	135,638	131,212	-	-	135,638	131,212
Primary Education	13,416,327	13,497,885	-	-	13,416,327	13,497,885
Secondary Education	2,958,503	1,429,541	-	-	2,958,503	1,429,541
Recreation and Culture	1,356,787	1,373,010	-	-	1,356,787	1,373,010
Library	1,114,000	1,109,175	-	-	1,114,000	1,109,175
Conservation of Natural Res.	175,454	337,131	-	-	175,454	337,131
Economic Development	446,998	1,349,254	-	-	446,998	1,349,254
Interfaith Housing	6,000	6,000	-	-	6,000	6,000
Interest On Long-Term Debt	992,355	1,048,293	-	-	992,355	1,048,293
Other	-	-	1,864,108	2,073,032	1,864,108	2,073,032
Total Expenses	44,041,211	44,820,269	1,864,108	2,073,032	45,905,319	46,893,301
Excess (Deficiency) before transfers	2,037,203	952,225	1,139,669	1,684,244	3,176,872	2,636,469
Net Transfers in (out)	1,598,264	769,200	(1,598,264)	(769,200)	-	-
Change in Net Position	3,635,467	1,721,425	(458,595)	915,044	3,176,872	2,636,469
Net Position – Beginning of Year	31,369,144	29,647,719	1,866,264	951,220	33,235,408	30,598,939
Net Position – Ending	\$35,004,611	\$31,369,144	\$1,407,669	\$1,866,264	\$36,412,280	\$33,235,408

Governmental activities shows an increase of \$3,635,467 Business-type activities showed a decrease in net position of (\$458,595)

Governmental activities. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions. This also identifies the amount each function draws from the general revenue, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Property taxes increased by approximately \$611 thousand during FY 2014. This increase is more than the previous year's \$175 thousand increase. The assessable base decreased again this year, primarily due to a decrease in property values of existing properties in the North 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 2014. FY 2014 income taxes revenues indicate employment is modestly recovering however a continuing declining real estate market have continued to erode Property tax revenues. Property taxes remained level despite the declining real estate market because although property assessments decreased the Commissioners raised the property tax rate from .89 per \$100 to .94 per \$100, constant yield.

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

Business-type activities. The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee programs, the County would have to cut approximately 50% of the recreation programs currently offered to citizens. Recreation and Parks had a gain of \$ 26,748 in FY 2014 compared to an increase in FY 2013 of \$28,782.

The Emergency Medical Services (EMS) Fund or Basic Life Support (BLS) Fund was established to collect fees from patients of the system through insurance billing. The fees collected support both paid County EMS personnel and certified volunteers who provide services through a shared arrangement. Revenue collected through charges for services increased by \$66,339 from FY 2013 to FY 2014. Expenses of the programs decreased \$147,530.

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 \$ 71,125 an increase of \$ 27,387 compared to FY2013.

Combined business-type activities generated \$1,139,669 in net revenues over expenses, with \$ 1,598,264 transferred to governmental activities. This resulted in net position decreasing by \$458,595 from FY 2013.

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 \$9.6 million. Approximately \$5.8 million of the total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved, indicating that it is not available for new spending because it has already been designated: 1) to liquidate contracts, purchase orders and capital commitments of the prior period; 2) as a revenue source for the FY 2015 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 \$ 5.8 million, while total fund balance was \$6.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned General Fund balance and total General Fund balance to total General Fund expenditures

Fund balance of the General Fund increased from the previous year. The key factors are as follows:

- Revenues exceeded expenditures by \$ 1,180,108 in FY 2014.
- Property tax revenue remained stable as the tax rate was raised to constant yield.
- Income tax remained stable from FY 2013 and was estimated conservatively. The over budget figure was \$661,356
- Recordation tax decreased \$197,743 from FY13 but was \$4,166 over budget.
- Departments primarily stayed within their budgets

In the FY 2014 budget, the Caroline County Commissioners took the following actions:

- Employees received a modest one-percent increase in pay for all County employees except senior management.
- Departments were budgeted at flat or reduced budget compared to the FY 2013 budget.

Fund balance of the capital improvement fund decreased by \$ 250,398.

Post employee benefits fund was established as a trust fund in FY 2009. There was a token contribution of \$66,000 for FY 2014. While this is not the commitment level desired by the County there were no available funds to contribute.

Proprietary funds. Caroline County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Total net position decreased from \$1,866,264 in 2013 to \$1,407,669 in FY 2014. The primary reason for the decrease was the contribution of the asset of the Jonestown water system, primarily paid for with grant payments, to a special revenue fund.

General Fund Budgetary Highlights

There were some differences between the original budget and the final amended budget. Some points of interest:

- Some Revenue sources did not meet projections.
- Income Tax exceeded expectation.
- Several departments spent less than the amount budgeted for their operation.
- The budget was designed to not use Fund Balance.

Increases in fund balance are not expected in the near future due to the continuing uncertainty of the economy. The FY 2015 budget is not projected to use any fund balance, requiring departments to remain within budgeted amounts. Revenue projections are still extremely uncertain due to the slow economic recovery from recession. The shifting of the State Teachers Pensions to the Counties has begun and while, for Caroline County, FY 15 has an offsetting grant the FY16 shift will require either a drastic cut in spending or an increase in revenue.

It is impossible for the management to accurately predict how the State will further address its structural deficit.

Capital Improvement Fund Highlights

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

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

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$57.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County's investment in capital assets for the current fiscal year increased slightly due to improvements increasing slightly more than depreciation of assets. The Commissioners while not in a position to fund the capital projects necessary to keep the Counties assets in good condition were able to use unspent capital fund money to fund some road resurfacing and some other much needed projects.

Capital asset activities are summarized as follows, net of accumulated depreciation:

Capital Assets, Net of Depreciation	Governmental Activities		Business-Types Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Land Improvements	\$12,934,062	\$12,913,511	\$ -	\$ -	\$12,934,062	\$12,913,511
Non-depreciable infrastructure	17,052,974	17,052,974	-	-	17,052,974	17,052,974
Construction in progress	364,642	641,281	-	902,196	364,642	1,543,477
Infrastructure	7,543,016	7,528,873	-	-	7,543,016	7,528,873
Buildings	10,756,512	11,518,060	240,041	292,532	10,996,553	11,810,592
Utilities	1,505,552	-	-	-	1,505,552	-
Improvements	4,025,801	3,105,574	-	-	4,025,801	3,105,574
Machinery and equipment	3,112,722	3,238,265	-	-	3,112,722	3,238,265
Total	\$57,295,281	\$55,998,538	\$240,041	\$1,194,728	\$57,535,322	\$57,193,266

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 \$30.7 million, which are backed by the full faith and credit of the County.

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

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$25,918,000	0	\$25,918,000

During the current fiscal year, the County’s general obligation bonds decreased by \$ 2.4 million.

The County has a rating of “A3” from Moody’s Investment Service and an upgraded “AA-” rating from Standard & Poor’s.

Additional information on the County’s long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year’s Budget and Rates

- The unemployment rate for the County was 7.0% in June 2014. The State’s average was 6.2%.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 2015.

The State of Maryland budget problems have increased, and a deficit is projected going into FY 2015. It is uncertain how this will ultimately affect Caroline County. The shift of teacher’s pensions to the local government in each county commenced in FY 13. While it does not have a large negative impact thru FY 15 because of the offsetting grant; the FY 16 shift and forward will present serious challenges in balancing our budgets. The State passed down assessment office cost to each county FY 2012.

• ¹ Monthly Labor Review June 2014 Maryland Department of Labor, Licensing and Regulation
www.dlir.state.md.us

Request for Information

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

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
ASSETS:				
Cash and cash equivalents	\$ 7,463,850	\$ 1,188,813	\$ 8,652,663	\$ 10,888,627
Deposits	114,446	-	114,446	-
Taxes receivable	145,914	-	145,914	-
Accounts receivable	770,862	187,576	958,438	725,539
Other receivables	122,725	-	122,725	-
Prepaid expenses	44,356	-	44,356	60,065
Inventories	255,039	-	255,039	44,666
Due from other governments	1,605,726	-	1,605,726	2,809,408
Other assets	5,509,903	-	5,509,903	-
Restricted assets:				
Cash and cash equivalents	-	-	-	508,690
Capital assets:				
Nondepreciable assets	30,351,678	-	30,351,678	2,099,563
Depreciable assets, net	26,943,603	240,041	27,183,644	77,223,506
Total assets	73,328,102	1,616,430	74,944,532	94,360,064
LIABILITIES:				
Accounts payable	667,498	182,203	849,701	428,307
Accrued expenses	477,127	-	477,127	7,029,804
Due to other governments	2,427	-	2,427	-
Unearned revenue	178,341	26,765	205,106	869,044
Internal balances, net	207	(207)	-	-
Other liabilities	25,316	-	25,316	-
Non-current liabilities:				
Due within one year	3,494,099	-	3,494,099	430,058
Due in more than one year	33,478,476	-	33,478,476	31,291,599
Total liabilities	38,323,491	208,761	38,532,252	40,048,812
NET POSITION:				
Invested in capital assets, net of related debt	25,789,169	240,041	26,029,210	76,111,248
Restricted for:				
Special Grants	2,506	-	2,506	-
OJP Grants Law Enforcement	3,971	-	3,971	-
Revolving Loan	206,160	-	206,160	-
MEAF Revolving Loan	152,812	-	152,812	-
Commissary Account	5,772	-	5,772	-
Law Library	31,341	-	31,341	-
Drug Task Force	124,407	-	124,407	-
Dayspring Townhomes	666,902	-	666,902	58,407
Unrestricted	8,021,571	1,167,628	9,189,199	(21,858,403)
Total net position	\$ 35,004,611	\$ 1,407,669	\$ 36,412,280	\$ 54,311,252

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED June 30, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	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	\$ 5,589,617	\$ 612,134	\$ 1,129,131	\$ -	\$ (3,848,352)	\$ -	\$ (3,848,352)	\$ -
Public Safety	13,339,410	625,051	1,024,597	432,076	(11,257,686)	-	(11,257,686)	-
Public Works	4,057,284	261,984	-	722,512	(3,072,788)	-	(3,072,788)	-
Health	452,838	137	-	-	(452,701)	-	(452,701)	-
Social services	135,638	536	-	-	(135,102)	-	(135,102)	-
Primary education	13,416,327	-	-	-	(13,416,327)	-	(13,416,327)	-
Secondary education	2,958,503	-	-	-	(2,958,503)	-	(2,958,503)	-
Library	1,114,000	-	5,500	-	(1,108,500)	-	(1,108,500)	-
Recreation and culture	1,351,787	82,875	134,296	293,771	(840,845)	-	(840,845)	-
Arts	5,000	-	-	-	(5,000)	-	(5,000)	-
Conservation of natural resources	175,454	-	130	-	(175,324)	-	(175,324)	-
Interfaith housing	6,000	-	-	-	(6,000)	-	(6,000)	-
Economic development	446,998	-	196,194	89,275	(161,529)	-	(161,529)	-
Interest on long-term debt	992,355	-	-	-	(992,355)	-	(992,355)	-
Total governmental activities	44,041,211	1,582,717	2,489,848	1,537,634	(38,431,012)	-	(38,431,012)	-
Business-type activities:								
Basic life support	425,067	1,409,423	-	-	-	984,356	984,356	-
Recreation	445,607	188,985	285,070	-	-	28,448	28,448	-
Broadband supply	173,482	229,222	-	-	-	55,740	55,740	-
Public works	819,952	891,077	-	-	-	71,125	71,125	-
Total business-type activities	1,864,108	2,718,707	285,070	-	-	1,139,669	1,139,669	-
Total primary government	\$ 45,905,319	\$ 4,301,424	\$ 2,774,918	\$ 1,537,634	(38,431,012)	1,139,669	(37,291,343)	-
COMPONENT UNITS:								
Board of Education of Caroline Co.	\$ 80,689,903	\$ 4,158,173	\$ 10,132,783	\$ 1,490,372	-	-	-	(64,908,575)
Board of Library Trustees of Caroline Co.	1,674,868	30,182	127,188	-	-	-	-	(1,517,498)
Total component units	\$ 82,364,771	\$ 4,188,355	\$ 10,259,971	\$ 1,490,372	-	-	-	(66,426,073)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
(CONTINUED)

YEAR ENDED June 30, 2014

	Net (Expenses) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total Net Expense/ Revenue	
General revenues:				
Local property taxes	\$ 24,718,235	\$ -	\$ 24,718,235	\$ -
Income taxes	11,461,356	-	11,461,356	-
Other local taxes:				
Recordation tax	1,104,166	-	1,104,166	-
School construction excise tax	79,486	-	79,486	-
Mobile home tax	66,535	-	66,535	-
Transfer taxes	344,652	-	344,652	-
State shared general revenue	2,677,520	-	2,677,520	-
Interest and investment earnings	16,265	-	16,265	6,068
Other income	-	-	-	491,754
County and State appropriations	-	-	-	60,225,172
Net transfers in (out)	1,598,264	(1,598,264)	-	-
Total general revenues and transfers	42,066,479	(1,598,264)	40,468,215	60,722,994
Change in net position	3,635,467	(458,595)	3,176,872	(5,703,079)
Net position – beginning	31,369,144	1,866,264	33,235,408	60,014,331
Net position – ending	\$ 35,004,611	\$ 1,407,669	\$ 36,412,280	\$ 54,311,252

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,056,771	\$ 847,871	\$ 1,559,208	\$ 7,463,850
Deposits	-	114,446	-	114,446
Receivables:				
Taxes	145,914	-	-	145,914
Accounts	-	511,027	259,835	770,862
Other	122,725	-	-	122,725
Due from other funds	217,299	296,100	1,675	515,074
Due from other governments	1,544,353	-	-	1,544,353
Prepaid items	44,356	-	-	44,356
Material and supplies, at cost	255,039	-	-	255,039
Other assets	-	-	650,218	650,218
Total assets	\$ 7,386,457	\$ 1,769,444	\$ 2,470,936	\$ 11,626,837
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 299,902	\$ 300,044	\$ 67,552	\$ 667,498
Accrued items	477,127	-	-	477,127
Due to other funds	296,100	23,694	195,487	515,281
Due to other governments	-	-	2,427	2,427
Unearned revenues	45,510	-	132,831	178,341
Other liabilities	-	-	25,316	25,316
Total liabilities	1,118,639	323,738	423,613	1,865,990
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	145,565	-	-	145,565
Fund balance:				
Non-spendable	299,395	-	-	299,395
Restricted	-	-	1,193,871	1,193,871
Committed	-	1,445,706	262,394	1,708,100
Assigned	-	-	607,011	607,011
Unassigned	5,822,858	-	(15,953)	5,806,905
Total fund balance	6,122,253	1,445,706	2,047,323	9,615,282
Total liabilities, deferred inflows of resources and fund balance	\$ 7,386,457	\$ 1,769,444	\$ 2,470,936	\$ 11,626,837

See accompanying notes.

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

June 30, 2014

Total Governmental Fund Balance	\$	9,615,282
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		57,295,281
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		61,373
Prepayment of county pension benefits		2,723,533
Prepayment of OPEB		2,136,152
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		145,565
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		(30,796,748)
Dayspring Townhomes		(2,530,583)
Accrued landfill liability		(2,338,275)
Compensated absences which are not due and payable in the current period and, therefore, are not reported in the funds		(1,306,969)
Net position of Governmental Activities	\$	35,004,611

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED June 30, 2014

	General Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 37,732,269	\$ 344,652	\$ 97,058	\$ 38,173,979
License and permits	156,553	-	137	156,690
Intergovernmental revenues	3,877,466	1,522,079	649,235	6,048,780
Charges for services	798,694	-	-	798,694
Miscellaneous revenues	61,958	77,758	614,991	754,707
Total revenues	42,626,940	1,944,489	1,361,421	45,932,850
Expenditures:				
General government	4,753,198	66,740	311,598	5,131,536
Public safety	12,064,406	1,317,596	524,229	13,906,231
Public works	3,202,481	1,373,536	101,836	4,677,853
Health	452,838	-	-	452,838
Social services	135,638	-	-	135,638
Primary education	13,416,327	-	-	13,416,327
Secondary education	3,012,118	-	-	3,012,118
Public Library	1,090,000	24,000	-	1,114,000
Recreation and parks	838,582	469,701	74,444	1,382,727
Arts	5,000	-	-	5,000
Conservation of natural resources	129,571	-	-	129,571
Interfaith housing	6,000	-	-	6,000
Economic development	242,850	-	204,148	446,998
Contingency	26,837	-	-	26,837
Debt Service:				
Principal	2,399,000	-	-	2,399,000
Interest and fiscal charges	992,355	-	-	992,355
Total expenditures	42,767,201	3,251,573	1,216,255	47,235,029
Excess (deficiency) of revenues over expenditures	(140,261)	(1,307,084)	145,166	(1,302,179)
Other financing sources (uses):				
Note issued - Chesapeake College	1,520,000	-	-	1,520,000
Transfers in / (out)	(199,631)	1,056,686	(160,987)	696,068
Total other financing sources (uses)	1,320,369	1,056,686	(160,987)	2,216,068
Net change in fund balances	1,180,108	(250,398)	(15,821)	913,889
Fund balances, beginning	4,926,731	1,696,104	2,063,144	8,685,979
Change in reserve for materials and supplies	15,414	-	-	15,414
Fund balances, ending	\$ 6,122,253	\$ 1,445,706	\$ 2,047,323	\$ 9,615,282

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, 2014

Net change in fund balance - Governmental Funds	\$	913,889
<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>		4,177,371
<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>		(65,246)
<p>Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a change in a long-term liability.</p>		1,115,794
<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>		(18,185)
<p>Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.</p>		145,565
<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>		
Increase in net pension prepaid		116,457
Decrease in net OPEB prepaid		49,790
Decrease in reserve for materials and supplies		15,414
Depreciation expense		(2,815,382)
<hr/>		
Change in net position of Governmental Activities	\$	3,635,467

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2014

	Basic Life Support Fund	Other Proprietary Funds	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 775,259	\$ 413,554	\$ 1,188,813
Accounts receivable	-	187,576	187,576
Due from other funds	-	207	207
Total current assets	775,259	601,337	1,376,596
Noncurrent assets:			
Capital assets, net	-	240,041	240,041
Total assets	775,259	841,378	1,616,637
LIABILITIES:			
Current liabilities:			
Accounts payable	97,239	84,964	182,203
Due to other funds	-	-	-
Unearned revenue	-	26,765	26,765
Total current liabilities	97,239	111,729	208,968
Noncurrent liabilities:			
Long-term debt	-	-	-
Total liabilities	97,239	111,729	208,968
NET POSITION:			
Invested in capital assets	-	240,041	240,041
Unrestricted	678,020	489,608	1,167,628
Total net position	\$ 678,020	\$ 729,649	\$ 1,407,669

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED June 30, 2014

	Basic Life Support Fund	Other Proprietary Funds	Total
Operating revenues:			
Charges for services	\$ 1,409,423	\$ 1,309,284	\$ 2,718,707
Total operating revenues	1,409,423	1,309,284	2,718,707
Operating expenses:			
Personnel services	939	232,751	233,690
Operations and maintenance	424,128	1,153,799	1,577,927
Depreciation expense	-	52,491	52,491
Total operating expenses	425,067	1,439,041	1,864,108
Operating income (loss)	984,356	(129,757)	854,599
Nonoperating revenues (expenses):			
Intergovernmental revenues	-	285,070	285,070
Capital asset transferred to governmental fund	-	(902,196)	(902,196)
Transfers in (out)	(694,368)	(1,700)	(696,068)
Total nonoperating revenues (expenses)	(694,368)	(618,826)	(1,313,194)
Change in net position	289,988	(748,583)	(458,595)
Net position, beginning of year	388,032	1,478,232	1,866,264
Net position, end of year	\$ 678,020	\$ 729,649	\$ 1,407,669

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED June 30, 2014

	Basic Life Support Fund	Other Proprietary Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,409,423	\$ 1,294,291	\$ 2,703,714
Cash paid to suppliers	(515,972)	(1,135,188)	(1,651,160)
Cash paid to employees	(939)	(232,751)	(233,690)
Net cash provided (used) by operating activities	892,512	(73,648)	818,864
Cash flows from noncapital financing activities:			
Transfers in (out)	(694,368)	(1,700)	(696,068)
Payment of interfund loan	-	(80,885)	(80,885)
Intergovernmental revenues	-	285,070	285,070
Net cash (used) provided by noncapital financing activities	(694,368)	202,485	(491,883)
Net increase in cash and cash equivalents	198,144	128,837	326,981
Cash and cash equivalents, beginning of year	577,115	284,717	861,832
Cash and cash equivalents, end of year	\$ 775,259	\$ 413,554	\$ 1,188,813
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 984,356	\$ (129,757)	\$ 854,599
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	52,491	52,491
(Increase)/decrease in accounts receivable	-	(24,772)	(24,772)
Increase/(decrease) in accounts payable	(91,844)	18,611	(73,233)
Increase in unearned revenue	-	9,779	9,779
Net cash provided (used) by operating activities	\$ 892,512	\$ (73,648)	\$ 818,864

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 633,047	\$ 1,045,180
Investments at fair value:		
Fixed income	-	9,031,039
Equity funds	-	13,739,236
<hr/>		
Total investments at fair value	-	22,770,275
<hr/>		
Taxes and other receivables	51,695	-
<hr/>		
Total assets	\$ 684,742	23,815,455
<hr/>		
<u>LIABILITIES:</u>		
Accounts payable	83,190	-
Due to property owners	399,806	-
Due to general fund	-	119,649
Due to other governments	200,101	-
Due to participants	1,645	-
<hr/>		
Total liabilities	\$ 684,742	119,649
<hr/>		
<u>NET POSITION:</u>		
Held in trust for participants		\$ 23,695,806
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See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED June 30, 2014

	<u>Employee benefit Trust Funds</u>
Additions:	
Contributions:	
Plan sponsor	\$ 1,157,000
Employee	60,306
Gains	1,934,541
Interest, dividends and gains	1,217,906
<hr/>	
Total additions	4,369,753
<hr/>	
Deductions:	
Benefits paid	1,594,966
Losses	165,545
Transfers (in) out	(69,896)
Administrative fees	112,452
<hr/>	
Total deductions	1,803,067
<hr/>	
Change in net position	2,566,686
Net position, beginning of year	21,129,120
<hr/>	
Net position, end of year	\$ 23,695,806
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See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2014

	Board of Education of Caroline County	Board of Library Trustees of Caroline County	Total
ASSETS:			
Cash and cash equivalents	\$ 10,641,648	\$ 246,979	\$ 10,888,627
Accounts receivable	669,958	55,581	725,539
Prepaid expenses	554	59,511	60,065
Inventories	44,666	-	44,666
Due from other governments	2,809,408	-	2,809,408
Restricted assets:			
Cash and cash equivalents	-	508,690	508,690
Nondepreciable assets	2,099,563	-	2,099,563
Depreciable assets, net	76,412,672	810,834	77,223,506
Total assets	92,678,469	1,681,595	94,360,064
LIABILITIES:			
Accounts payable	406,591	21,716	428,307
Accrued expenses	6,997,733	32,071	7,029,804
Unearned revenue	869,044	-	869,044
Accrued compensated absences	-	15,788	15,788
Long-term liabilities:			
Due within one year	430,058	-	430,058
Due in more than one year	31,275,811	-	31,275,811
Total liabilities	39,979,237	69,575	40,048,812
NET POSITION:			
Invested in capital assets, net of related debt	75,300,414	810,834	76,111,248
Restricted for:			
Fund purposes	-	58,407	58,407
Unrestricted (deficit)	(22,601,182)	742,779	(21,858,403)
Total net position	\$ 52,699,232	\$ 1,612,020	\$ 54,311,252

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		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	\$ 80,689,903	\$ 4,158,173	\$ 10,132,783	\$ 1,490,372	\$ (64,908,575)	\$ -	\$ (64,908,575)
Board of Library Trustees of Caroline County	1,674,868	30,182	127,188	-	-	(1,517,498)	(1,517,498)
Total component units	\$ 82,364,771	\$ 4,188,355	\$ 10,259,971	\$ 1,490,372	(64,908,575)	(1,517,498)	(66,426,073)
General revenues:							
County appropriations					13,416,327	1,100,000	14,516,327
State appropriations					45,320,609	388,236	45,708,845
Interest and investment earnings					5,545	523	6,068
Miscellaneous					475,057	16,697	491,754
Total general revenue					59,217,538	1,505,456	60,722,994
Change in net position					(5,691,037)	(12,042)	(5,703,079)
Net position – beginning					58,390,269	1,624,062	60,014,331
Net position – ending					\$ 52,699,232	\$ 1,612,020	\$ 54,311,252

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Summary of significant accounting policies**

Caroline County (the County) was created by an act of the Maryland General Assembly on December 23, 1773. The County operates under a Commissioner form of government and provides the following services: education, public safety (fire and police), health and social services, highways and streets, public works, library, recreation and parks, planning and zoning, economic development and general administration.

In 1984, the citizens of the County voted to establish Caroline County as a Code Home Rule County, which allows the Commissioners to exercise the powers of self-government over local matters.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. **Reporting Entity**

The financial statements of the reporting entity include those of Caroline County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

A. **Reporting Entity (continued)**

Based on the application of these criteria, the following organizations are considered component units of Caroline County Government. Their combined financial data is discretely presented in a separate column in the government-wide financial statements. A Combining Statement of Net Position and a Combining Statement of Activities for the component units are also provided. All discretely presented component units have a June 30 year end.

The **Board of Education of Caroline County, Maryland (the Board of Education)** is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The Board of Education is financially accountable to the Caroline County Government because the Board of Education's annual budget is subject to the approval of the County Commissioners. The Board of Education is presented as a governmental fund type.

The **Board of Library Trustees for Caroline County, Maryland (the Library)** is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of the State of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the County Commissioners. The Library is presented as a governmental fund type.

Complete financial statements of the discretely presented component units can be obtained directly from their respective administrative offices.

B. **Basic Financial Statements**

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Summary of significant accounting policies (continued)**
B. **Basic Financial Statements (continued)**

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted. Net position should be reported as restricted when constraints placed on the use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are not properly included among program revenues.

The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Summary of significant accounting policies (continued)**
B. **Basic Financial Statements (continued)**

Fund Financial Statements

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

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

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

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. All Special Revenue Funds of the County are 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:

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to those used for proprietary funds.

The County's Fiduciary Funds consist of agency funds and employee benefit trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds temporarily hold collected tax revenues for state property tax, town property tax, DMV tag sales, hotel rental tax, tax sale proceeds, inmates' funds, confiscated properties, Bay Restoration funds, public drainage associations and home builder guaranty.

Employee benefit trust funds are used to account for the County's employee pension plan, a self-funded health plan for County retirees, a trust fund established to accumulate funds to pay for health and welfare benefits of future retirees, and the Fireman's Association Length of Service Award Program (LOSAP). The results of operations for these funds are presented in the Statement of Changes in Fiduciary Net Position.

C. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Basis of Accounting

Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means knowing or able to reasonably estimate the amount. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

Measurement Focus

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

In the governmental fund financial statements, the “current financial resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

In applying the susceptible to accrual concept to operating and capital grants, which are classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements, including time requirements, are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as unearned revenue.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Licenses and permits, charges for services, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County's 60-day availability period, they are recognized as revenue; if not, such amounts are reported as unearned revenue.

D. **Financial Statement Amounts**

Cash and Cash Equivalents: The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments: Investments held by the County are stated at fair value. Fair value is based on quoted market prices at year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables: All trade and property tax receivables are reported at their fair value. Taxes, special assessments, and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

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

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Summary of significant accounting policies (continued)**
D. **Financial Statement Amounts (continued)**

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

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

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

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

Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Projects are not capitalized until completed or substantially completed and available for use.

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

<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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

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

The Board of Education

Buildings and improvements	15 – 50 years
Furniture and equipment	5 – 20 years
Vehicles	6 – 12 years
Software	5 years

The Library

Furniture and equipment	5-10 years
Vehicles	5 years
Books and materials	7 years
Leasehold improvements	30 years

GASB 34 requires the County to report and depreciate new infrastructure assets effective July 1, 2002. Infrastructure assets include roads, bridges, underground pipe, etc. These infrastructure assets are the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Prior to July 1, 2002, these general infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

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 has no deferred outflows of resources for the current year.

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 only one type of 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – all others that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental fund balances are classified as follows:

Nonspendable - cannot be spent because of its form.

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

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

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

Unassigned - is the residual classification for the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

Long-term Obligations: In the government-wide financial statements, and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital leases are recorded in the same manner.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Revenues, Expenditures, and Expenses: Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. **Stewardship, Compliance, and Accountability**

Budgets and Budgetary Accounting

A legal budget is adopted and formal budgetary accounting is employed as a management control for most funds of the County, except fiduciary funds. Budgetary comparison schedules are presented for the General Fund, Capital Improvements Fund and all other funds with legally adopted annual budgets. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All annual appropriations lapse at fiscal year-end.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. **Stewardship, Compliance, and Accountability (continued)**
Budgets and Budgetary Accounting (continued)

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2014.

3. **Cash Deposits and Investments**

A. **Primary Government**

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

Cash Deposits: At year-end, the carrying amount of the County's deposits was \$1,051,585 and the bank balance was \$1,252,362, 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	\$ 7,601,078

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

3. **Cash Deposits and Investments (continued)**
B. **Primary Government (continued)**

A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAM by Standard and Poors. As of June 30, 2014, the County's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk and is in conformity with the County's policy relating to minimal credit risk of investments. The Pool is managed as a Rule 2a-7 pool. Therefore, the County faces no interest rate risk.

Fiduciary Fund Investments: The Caroline County Employees Pension Plan, Other Postemployment Benefit Plan, Fireman's Length of Service Award Program (LOSAP) Plan, and Retiree Health Care Fund are authorized to invest in common stocks, corporate bonds and any other securities in varying proportions when and for as long as, in the opinion of the respective Plan Trustees, prevailing market and economic considerations indicate that it is in the best interest of the respective Plan to do so. Notes 9 and 10 present the details of these plans.

Interest Rate Risk

The following schedule presents the interest rate risk for fiduciary fund types (increasing interest rates decrease the value of the bonds) based on maturity of the bonds held.

Maturities	
Cash and equivalents	\$ 1,045,180
Less than 1 year	217,782
1-5 years	6,136,349
5-10 years	1,373,085
10-15 years	99,057
15-20+ years	1,204,766
Total	\$ 10,076,219

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, 2014 was \$0 and \$0 for the Employees' Pension Plan and the OPEB Trust, respectively.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

3. Cash Deposits and Investments (continued)

B. Component Units

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$1,896,019 and the bank balance was \$2,655,931. 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 \$30,971 and the bank balance was \$119,868, all of which was covered by Federal depository insurance.

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

<u>Investment Type</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	\$ 8,745,629

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

<u>Investment Type</u>	<u>Fair Value</u>
Maryland Local Government Investment Pool	\$ 724,698

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.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Interfund transactions

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable	Net Receivable (Payable)
<u>Governmental Funds:</u>			
General Fund	\$ 217,299	\$ 296,100	\$ (78,801)
Capital Improvements	296,100	23,694	272,406
Other Governmental Funds	1,675	195,487	(193,812)
Total Governmental Funds	515,074	515,281	(207)
<u>Proprietary Funds:</u>			
Basic Life Support	-	-	-
Other Proprietary Funds	207	-	207
Total Proprietary Funds	207	-	207
Total	\$ 515,281	\$ 515,281	\$ -

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, 2014

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, 2014, operating transfers were made between the following funds to help defray costs incurred in those respective funds. A summary of interfund transfers by fund for the year ended June 30, 2014 is as follows:

	Transfers In	Transfers Out	Net In (Out)
<u>Governmental Funds:</u>			
General Fund	\$ -	\$ 199,631	\$ (199,631)
Capital Improvements	1,056,686	-	1,056,686
Jonestown Water System - Asset	902,196	-	902,196
Other Governmental Funds	-	160,987	(160,987)
Total Governmental Funds	1,958,882	360,618	1,598,264
<u>Proprietary Funds:</u>			
Basic Life Support	-	694,368	(694,368)
Jonestown Water System - Asset	-	902,196	(902,196)
Other Proprietary Funds	-	1,700	(1,700)
Total Proprietary Funds	-	1,598,264	(1,598,264)
Total	\$ 1,958,882	\$ 1,958,882	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

6. Capital assets

Caroline County

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Transfer / Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 12,913,511	\$ -	\$ 20,551	\$ 12,934,062
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	641,281	1,246,109	(1,522,748)	364,642
Total capital assets, not depreciated	30,607,766	1,246,109	(1,502,197)	30,351,678
Capital assets, depreciated:				
Infrastructure	25,414,217	521,054	208,487	26,143,758
Buildings	28,215,005	27,858	-	28,242,863
Utilities	-	1,523,324	-	1,523,324
Improvements	8,272,646	179,745	1,122,024	9,574,415
Machinery and equipment	14,053,577	679,281	(183,354)	14,549,504
Total capital assets, depreciated	75,955,445	2,931,262	1,147,157	80,033,864
Less: accumulated depreciation for:				
Infrastructure	(17,885,344)	(715,398)	-	(18,600,742)
Buildings	(16,696,945)	(789,854)	448	(17,486,351)
Utilities	-	(17,772)	-	(17,772)
Improvements	(5,167,072)	(381,542)	-	(5,548,614)
Machinery and equipment	(10,815,312)	(910,816)	289,346	(11,436,782)
Total accumulated depreciation	(50,564,673)	(2,815,382)	289,794	(53,090,261)
Total capital assets, depreciated, net	25,390,772	115,880	1,436,951	26,943,603
Governmental activities capital assets, net	\$ 55,998,538	\$ 1,361,989	\$ (65,246)	\$ 57,295,281
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Construction in progress	\$ 902,196	\$ -	\$ (902,196)	\$ -
Capital assets, depreciated:				
Building and improvements	512,294	-	-	512,294
Less: accumulated depreciation for:				
Buildings and improvements	(219,762)	(52,491)	-	(272,253)
Total capital assets, depreciated, net	292,532	(52,491)	-	240,041
Business-type activities capital assets, net	\$ 1,194,728	\$ (52,491)	\$ (902,196)	\$ 240,041

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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:

<u>Governmental Activities:</u>	
General government	\$ 689,962
Public safety	853,493
Public works	931,621
Health	-
Recreation and culture	294,423
Conservation of natural resources	45,883
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Total depreciation expense - Governmental Activities	\$ 2,815,382
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<u>Business-type Activities:</u>	
Broadband supply	\$ 50,501
Public works	1,990
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	\$ 52,491
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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

6. Capital assets (continued)

Discretely Presented Component Units

Board of Education

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers / Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Construction in progress	\$ 696,294	\$ 1,221,182	\$ -	\$ 1,917,476
Land	182,087	-	-	182,087
Total capital assets, not depreciated	878,381	1,221,182	-	2,099,563
Capital assets, depreciated:				
Buildings and improvements	106,094,866	367,147	-	106,462,013
Furniture and equipment	1,628,484	122,516	(13,493)	1,737,507
Software	658,357	-	-	658,357
Vehicles	1,654,486	245,727	(124,469)	1,775,744
Total capital assets, depreciated	110,036,193	735,390	(137,962)	110,633,621
Less: accumulated depreciation for:				
Buildings and improvements	(29,343,304)	(2,194,405)	-	(31,537,709)
Furniture and equipment	(1,014,622)	(63,715)	5,847	(1,072,490)
Software	(577,909)	(31,349)	-	(609,258)
Vehicles	(1,100,401)	(161,741)	101,909	(1,160,233)
Total accumulated depreciation	(32,036,236)	(2,451,210)	107,756	(34,379,690)
Total capital assets, depreciated, net	77,999,957	(1,715,820)	(30,206)	76,253,931
Governmental activities capital assets, net	\$ 78,878,338	\$ (494,638)	\$ (30,206)	\$ 78,353,494
Business-type activities:				
Equipment	\$ 926,780	\$ 26,877	\$ -	\$ 953,657
Software	27,122	-	-	27,122
Vehicles	55,670	-	-	55,670
Total capital assets being depreciated	1,009,572	26,877	-	1,036,449
Less: accumulated depreciation:				
Equipment	(784,632)	(28,625)	-	(813,257)
Software	(24,410)	(2,711)	-	(27,121)
Vehicles	(33,254)	(4,076)	-	(37,330)
Total accumulated depreciation	(842,296)	(35,412)	-	(877,708)
Business-type activities capital assets, net	\$ 167,276	\$ (8,535)	\$ -	\$ 158,741

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

6. Capital assets (continued)

Board of Education (continued)

Depreciation expense for the fiscal year ended June 30, 2014 was charged to governmental functions as follows:

Administration	\$	89,438
School management and support		25,133
Other instructional costs		2,198,876
Pupil transportation		86,853
Maintenance of plant		50,910
<hr/>		
Total depreciation expense	\$	2,451,210

Library

Capital asset activity for the Library for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furnishings and equipment	\$ 669,153	\$ 54,214	\$ (538)	\$ 722,829
Vehicles	29,899	-	-	29,899
Leasehold improvements	311,738	40,215	-	351,953
Books and materials	1,238,860	96,344	(389,469)	945,735
<hr/>				
	2,249,650	190,773	(390,007)	2,050,416
<hr/>				
Accumulated depreciation:				
Furnishings and equipment	(569,621)	(36,513)	450	(605,684)
Vehicles	(29,899)	-	-	(29,899)
Leasehold improvements	(58,824)	(11,954)	-	(70,778)
Books and materials	(780,675)	(142,015)	389,469	(533,221)
<hr/>				
	(1,439,019)	(190,482)	389,919	(1,239,582)
<hr/>				
Net capital assets	\$ 810,631	\$ 291	\$ (88)	\$ 810,834

Governmental activities depreciation expense was \$190,482 for the fiscal year ended June 30, 2014.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

	Balance July 01, 2013	Additions	Retirements and Repayments	Balance June 30, 2014	Current Portion
<u>Governmental activities:</u>					
Bonds and loans	\$ 31,729,363	\$ 1,520,000	\$ 2,452,615	\$ 30,796,748	\$ 2,599,099
Unpaid vacation and sick pay benefits	1,407,865	-	100,896	1,306,969	895,000
Accrued landfill liability	2,420,558	-	82,283	2,338,275	-
Dayspring Townhomes	2,530,583	-	-	2,530,583	-
	<u>\$ 38,088,369</u>	<u>\$ 1,520,000</u>	<u>\$ 2,635,794</u>	<u>\$ 36,972,575</u>	<u>\$ 3,494,099</u>

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

7. Long-term obligations (continued)

General long-term debt for governmental activities at June 30, 2014 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	\$ 7,535,000
2008 Public Improvement Bond	3.50-4.50%	2008	2028	5,600,000	4,345,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	5,290,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	7,140,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	1,608,000
State loans:					
Midshore Business & Tech. Park	0.000%	2007	-	3,057,529	3,057,529
Capital projects loans:					
Chesapeake College project of 2014	2.0-4.0%	2014	2034	1,520,000	1,520,000
Chesapeake College	5.506%	2000	2020	535,000	215,000
Chesapeake College	3.500%	2003	2023	155,000	86,219
				<u>\$ 42,563,529</u>	<u>30,796,748</u>
Other components:					
Long-term portion of unpaid vacation and sick pay benefits					1,306,969
Accrued landfill liability					2,338,275
Long-term obligations of Dayspring Townhomes					2,530,583
				<u>\$ 36,972,575</u>	

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

7. Long-term obligations (continued)

The annual requirements to amortize all general bonded debt and loans (excludes Midshore Business & Tech Park) at June 30, 2014 are as follows:

Fiscal Year Ending June 30	<u>Governmental Activities</u>		Total Requirement
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 2,599,099	\$ 1,022,130	\$ 3,621,229
2016	2,721,158	987,998	3,709,156
2017	1,988,594	946,130	2,934,724
2018	2,051,426	872,318	2,923,744
2019	2,064,258	790,949	2,855,207
2020	2,162,089	713,153	2,875,242
2021	2,209,978	628,013	2,837,991
2022	2,328,207	537,754	2,865,961
2023	1,301,492	464,711	1,766,203
2024	1,207,639	408,816	1,616,455
2025	1,155,355	354,227	1,509,582
2026	1,173,410	300,552	1,473,962
2027	1,171,465	243,299	1,414,764
2028	1,159,859	184,736	1,344,595
2029	783,254	126,046	909,300
2030	806,648	81,494	888,142
2031	155,382	35,368	190,750
2032	159,455	29,153	188,608
2033	163,189	22,699	185,888
2034	172,262	16,022	188,284
2035	65,000	8,969	73,969
2036	70,000	6,125	76,125
2037	70,000	3,063	73,063
	<u>\$ 27,739,219</u>	<u>\$ 8,783,725</u>	<u>\$ 36,522,944</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

7. Long-term obligations (continued)

The County received loans from the Department of Housing and Community Development, a state agency, which were used by an agent to construct housing for low-income families (the Dayspring Townhomes project). Development, construction and equipping of the project was financed in part by a long-term mortgage in the amount of \$2,530,583 (as of June 30, 2014) from the DHCD. The related deed of trust note calls for interest at a rate equal to the Maryland State Bonds which were issued to provide the funding for the program. Repayment of principal and any accrued interest are deferred in perpetuity until the occurrence of any of the following events:

- a. The project is no longer used to provide housing for low income households;
- b. The refinancing, sale, transfer or conveyance of the project;
- c. Any encumbrance of the project without prior written consent of the DHCD; or
- d. Any event of default.

The amount of repayment is limited to the lesser of the outstanding balance on the notes or the amount realized through sale of the property. The County cannot be required to pay any additional amounts.

On March 7, 2003, the County executed two promissory notes to the Maryland Department of Business and Economic Development (DBED) totaling \$1,500,000 to enable the County to finance the development of an industrial park in Ridgely, Maryland. On July 24, 2007, the County entered into an amended agreement with DBED, whereby the loans were released and DBED provided an additional \$1,000,000 in financing to the County, for a total of \$2,500,000. On December 30, 2009, DBED invested another \$557,529 and an amended and restated investment agreement was entered into. The new funds are to be used to further develop the Midshore Business and Technology Park in Ridgely, Maryland and will be repaid as lots are sold and/or leased. There is no fixed maturity date, but the State can require immediate repayment of the entire outstanding principal, plus interest should a default occur.

On December 22, 2009, the County issued its "Public Improvements Bonds of 2009", which are taxable Build America Bonds. These bonds provide for a 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 \$1,414,816 through the fiscal year ended June 30, 2030.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

7. Long-term obligations (continued)

Board of Education

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

8. Retirement Plans

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

<u>Employees</u>	<u>Plan</u>
Board of Education	Maryland State Retirement and Pension Systems
Library	Maryland State Retirement and Pension Systems
Caroline County: Elected officials	Maryland State Retirement and Pension Systems
Election officials	Maryland State Retirement and Pension Systems
Sheriff's Deputies	Maryland State Law Enforcement Officers' Retirement System (LEOPS)
Appointed officials and certain employees	Defined Contribution Deferred Compensation Plan
All other county employees and certain appointed officers	Caroline County, Maryland Employees' Pension Plan Caroline County Commissioners Deferred Compensation Plan

Caroline County, Maryland Employees' Pension Plan

Plan description

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 109 Market Street, Room 135, 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, 2014

8. Retirement Plans (continued)

Caroline County, Maryland Employees' Pension Plan

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, 2013, the valuation date:

Inactive plan members (or their beneficiaries) currently receiving benefits	72
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	168
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Total	255
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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. 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.

Vesting percentage: Under the provisions of the Plan, pension benefits vest 0% for the first five years of service, 50% at the end of the fifth year of service, and an additional 10% at the end of each year until 100% vesting occurs after year ten (10). Orphans's Court Judges vesting percentage is 100% after 5 years of eligibility service. A participant shall be 100% vested upon attainment of normal retirement age if employed with the employer on that date. In no event shall the vesting percentage for an eligible individual who was employed by the employer on June 30, 2013, be less than determined under the provisions of the prior plan.

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

- Date of hire < July 1, 2013
 - Age 62 with 5 years of eligibility service
 - 25 years of eligibility service
- Date of hire >= 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 < July 1, 2013
 - Age 62 with 5 years of eligibility service
 - 30 years of eligibility service
- Date of hire >= 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, 2014

8. Retirement Plans (continued)

Caroline County, Maryland Employees' Pension Plan

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 \$1000 per month.

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

- Date of hire < July 1, 2013
 - Age 50 with 20 years of eligibility service
- Date of hire >= July 1, 2013
 - 25 years of eligibility service

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

- Date of hire < July 1, 2013
 - Age 60 with 10 years of eligibility service
 - Age 55 with 20 years of eligibility service
- Date of hire >= 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.

Per the Caroline County, Maryland Employees' Pension Plan documents, the Retirement Plan Committee ("Committee") has the authority to establish and amend the contribution requirements of the County and active plan members. The County Council has the authority to establish and amend benefits. The Committee adopted a funding policy that provides for annual County contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with additional amount to finance the unfunded liability, using a closed period. The remaining amortization period at July 1, 2013, was 20 years. The contribution is determined using the entry age normal cost method. The required contributions amount was \$1,004,915 for 2014, which is 14.43% of estimated payroll.

Annual required contribution (ARC)	\$ 1,004,915
Interest on net pension obligation	(189,013)
Adjustment to annual required contribution	193,778
Annual pension cost	1,009,680
Contribution made	(1,126,137)
Increase in net pension prepaid	(116,457)
Net pension obligation / (prepaid) at beginning of year	(2,607,076)
Net pension obligation / (prepaid) at end of year	\$ (2,723,533)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

8. Retirement Plans (continued)

Caroline County, Maryland Employees' Pension Plan

Investments

Investments policy. The Committee endorses contemporary investment practices, based upon the construction of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. The policy defines various major asset classes, asset allocations and acceptable ranges that are to be employed. The following was the Committee's adopted asset policy as of June 30, 2014:

Asset Class	Target Allocation %
Equities - Domestic	49%
Equities - International	16%
Fixed income - Bonds	34%
Fixed income - Cash	1%
Total	100%

Method used to value assets: 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/losses above or below the actuarial assumptions are phased in over a four year period. 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 1/2 of the prior year's gain/loss, less 3/4 of the current year's gain/loss etc., until each gain/loss is fully recognized. Maximum deferred gain or loss is 20% of market value.

During the fiscal year, and as of June 30, 2014, the Plan held no securities (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5% or more of the plan's fiduciary net position.

For the year ended June 30, 2014, the annual money weighted rate of return on pension plan investments, net of investment expense was 12.77%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the County at June 30, 2014, are as follows:

Total pension liability	\$ 23,766,494
Plan fiduciary net position	(18,603,277)
Net pension liability	\$ 5,163,217
Plan fiduciary net position as a % of the total pension liability	78%

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

8. Retirement Plans (continued)

Caroline County, Maryland Employees' Pension Plan

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

Inflation	2.50%
Salary increases	3.50%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 combined healthy tables with generational projection by Scale AA

Investment return rate: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of June 30, 2014 are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities - Domestic	7.65%
Equities - International	7.65%
Fixed income - Bonds	1.85%
Fixed income - Cash	0.50%

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The discount rate was reduced from 7.5% to 7.25% to better reflect the expected future experience of the plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates determined by the funding policy, a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

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

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

8. Retirement Plans (continued)

Maryland State Retirement and Pension Systems

The State of Maryland provides the following retirement plans in which certain County employees are participants:

Employees Retirement and Pension System – (Employees System)
Teachers Retirement and Pension System – (Teachers System)
Law Enforcement Officers’ Pension System – (LEOPS)

The following groups of employees participate in one of the statewide contributory systems of the State of Maryland:

Board of Education - regular employees	Employees System
Board of Education – teachers	Teachers System
Library	Teachers System
Caroline County:	
Election officials	Employees System
Elected officials	Employees System
Certain retired personnel	Employees System
Sheriffs’ deputies	LEOPS

Plan description

The Employees System, the Teachers System and LEOPS are multiple-employer, cost sharing, defined benefit public retirement systems sponsored by the Maryland State Retirement and Pensions System and were created by the Maryland General Assembly. The State Retirement and Pension System of Maryland issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

A member may retire with full benefits after 30 years of creditable service (25 years for LEOPS) regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating from the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

The State Personnel and Pensions Article requires active members to contribute to the Systems at the rate of 5% or 7% (7% for LEOPS) of their covered salary depending upon the retirement option selected. The current State contribution rate for the year ending 2014 is 14.05% for the employees system, 14.71% for the teachers system and 31.76% for LEOPS.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

8. Retirement Plans (continued)

Employers' payroll covered under the plans

	June 30, 2014	June 30, 2013	June 30, 2012
<u>Payroll covered under plans:</u>			
County-MD retirement and pension	\$ 1,307,560	\$ 1,369,133	\$ 1,487,791
Board of Education	38,734,847	37,446,711	35,359,702
Library	648,365	612,853	689,058
 <u>Pension contribution:</u>			
County:			
MD retirement and pension	394,628	373,702	466,354
Percentage of ARC contributed	100%	100%	100%
 Board of Education:			
On behalf by state	4,240,973	3,773,766	4,865,665
By Board	1,693,515	1,381,464	712,603
Percentage of ARC contributed	100%	100%	100%
 Library:			
On behalf by state	120,710	109,922	122,498
Percentage of ARC contributed	100%	100%	100%

Pension contributions made by the State of Maryland, on behalf of the County, the Board of Education and the Library are recognized as both revenue and expenditure.

Deferred Compensation Plans

Certain appointed officials participate in a defined contribution deferred compensation plan whereby the County contributes from 5% to 16% of salary to an account in the name of the participating employee. In addition, the employee may contribute certain amounts to his account under the plan subject to certain limitations.

Total contributions to this plan by the County were \$47,281 for the year ended June 30, 2014.

In addition, the County maintains a qualified retirement plan under Internal Revenue Code Section 457. This plan allows merit employees to make contributions toward retirement. The County made contributions of \$16,510 to this plan for the year ended June 30, 2014.

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, 2014

9. **Other postemployment benefits**

Caroline County

Plan Description

The Caroline County Postemployment Benefits Trust Fund (the "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare benefits to eligible retirees and their surviving spouses and dependents. Chapter 49 of the Code of Public Laws of Caroline County provides the authority to establish and amend benefit plans. Eligible participants include former employees of the County, and/or their surviving spouse and dependents, with at least 20 years of service with the County, who are eligible for and receiving pension benefits through the County's pension plan. Employees retiring with State or other pension plans are ineligible. Under the terms of the Plan, the County pays the cost of an individual membership for Medicare supplementary insurance coverage. Participants in the Plan are responsible for paying all of their health care costs that exceed the amount of the County's contribution. As of July 1, 2013, the date of the last actuarial valuation, approximately 41 retirees and their beneficiaries were receiving benefits, and an estimated 168 active employees are potentially eligible to receive future benefits. The Plan does not issue a separate audited GAAP-basis postemployment benefit plan report.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County Commissioners. Effective January, 2009, the County created the "Other Postemployment Benefits Trust" (the "Trust") in order to arrange for the establishment of a reserve to pay promised future healthcare benefits for employee services that have already occurred. The County intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB 43 and 45. The County pays for the current cost of coverage on a pay as you go basis, from the Retiree Health Care Fund. For the year ended June 30, 2014, the County paid for coverage a total cost of \$163,790. The County made \$66,000 in contributions to the Trust during the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

9. Other postemployment benefits (continued)

Caroline County (continued)

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

Annual required contribution (ARC)	\$ 150,000
NOO amortization	176,000
Interest on NOO	(146,000)
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Annual OPEB cost	180,000
Contributions - pay as you go	(163,790)
Contributions - trust	(66,000)
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Increase in net OPEB prepaid	(49,790)
Net OPEB obligation/(prepaid) at beginning of year	(2,086,362)
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Net OPEB obligation/(prepaid) at end of year	\$ (2,136,152)

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation/ (Prepaid)</u>
June 30, 2012	\$ 518,000	\$ 247,720	47.82%	\$ (2,547,331)
June 30, 2013	\$ 543,000	\$ 82,031	15.11%	\$ (2,086,362)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$4,242,000, and the actuarial value of assets was \$4,193,392, resulting in an unfunded actuarial accrued liability (UAAL) of \$48,608. The covered payroll (annual payroll of active employees covered by the plan) was \$6,962,170, and the ratio of the UAAL to the covered payroll was 0.7 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, 2014

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

Caroline County (continued)

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the actuarial cost method used was the projected unit credit. The actuarial assumptions included a 7.0 percent discount rate, 0.0 percent payroll increase and the medical trend rate is 8.0 percent initially decreasing gradually to an ultimate rate of 5.0 percent in 2050. Assets are valued at market value. The UAAL is being amortized over a closed period of 22 years from July 1, 2013.

Board of Education of Caroline County

Plan Description

The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Board. The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, age 62 with 5 years of service, and 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of November 1, 2011, the census date of the last actuarial valuation, approximately 307 retirees and their beneficiaries were receiving benefits, and an estimated 632 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board provides dental and basic major medical insurance (Medicare supplemental program for those over 65) for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees and to make such coverage available on a 100% reimbursement basis for dependents, spouses and non-eligible retirees. Eligible retirees are 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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

9. Other postemployment benefits (continued)

Board of Education of Caroline County (continued)

Funding Policy (continued)

years of service will receive free Medicare Supplementary Program coverage, up to the dollar amount of the current individual insurance allowance. The Board pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2014, the Board paid for coverage of 357 retirees at a total cost to the Board of \$1,362,127.

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement Number 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statements 43 and 45.

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

In May 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland, to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member Trustee who is a trustee of the member trust. The member trustee of the MABE Pool shall ensure that the MABE Pool keeps such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective Financial Report using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. The Pool issues a publicly available audited report. The report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401 or calling (410) 841-5414.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to any entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Board of Education of Caroline County (continued)

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefits (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The net OPEB obligation at the beginning of the fiscal year is \$22,190,553. The Board pays post retirement medical benefits (normal cost) from the General Fund, not from the Trust.

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

Annual required contribution (ARC)	\$ 6,903,000
Adjustment to annual required contribution	(88,000)
<hr/>	
Annual OPEB cost	6,815,000
Payments to retirees from general fund	(1,362,127)
<hr/>	
Increase in net OPEB obligation	5,452,873
Net OPEB obligation at beginning of year	22,190,553
<hr/>	
Net OPEB obligation at end of year	<u>\$ 27,643,426</u>

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

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
<hr/>			
2012	\$ 6,407,000	24.20%	\$ 17,776,095
2013	\$ 6,425,000	31.29%	\$ 22,190,553
2014	\$ 6,815,000	19.99%	\$ 27,643,426

Funding Status and Funding Progress

As of July 1, 2013 the actuarial accrued liability (AAL) for benefits was \$76.2 million with \$325,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$75.9 million. The annual payroll of active employees covered by the Plan was \$39 million and the ratio of the UAAL to covered payroll was 195.93%. As of June 30, 2014, there were \$899 thousand held in trust for other post-employment benefits.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Board of Education of Caroline County (continued)

Funding Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

In the November 1, 2011 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions included a 4% investment return per annum. The projected annual healthcare cost trend rate is 7% initially, reduced by decrements to an ultimate rate of 3.8%. The UAAL is being amortized over twenty-seven years based on a level percentage of projected payrolls.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

10. Fiduciary segment information

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

	Employee Benefit Trusts				
	Employees' Pension Plan	LOSAP	OPEB Trust	Retiree Health Care	Totals
ASSETS:					
Cash and cash equivalents	\$ 373,556	\$ 530,823	\$ 140,065	\$ 736	\$ 1,045,180
Investments at fair value:					
Fixed income	6,127,406	-	2,903,633	-	9,031,039
Equity funds	12,102,314	-	1,636,922	-	13,739,236
Total investments at fair value	18,229,720	-	4,540,555	-	22,770,275
Total assets	18,603,276	530,823	4,680,620	736	23,815,455
LIABILITIES:					
Due to other funds	-	119,649	-	-	119,649
Total liabilities	-	119,649	-	-	119,649
NET POSITION:					
Held in trust for participants	\$ 18,603,276	\$ 411,174	\$ 4,680,620	\$ 736	\$ 23,695,806
Additions:					
Contributions:					
Plan sponsor	\$ 1,091,000	\$ -	\$ 66,000	\$ -	\$ 1,157,000
Employee	35,137	-	-	25,169	60,306
Gains	1,934,541	-	-	-	1,934,541
Interest and dividends	605,129	2,616	610,151	10	1,217,906
Total additions	3,665,807	2,616	676,151	25,179	4,369,753
Deductions:					
Benefits paid	1,382,453	119,649	-	92,864	1,594,966
Losses	-	-	165,545	-	165,545
Transfers (in) out	-	-	-	(69,896)	(69,896)
Administrative fees	66,272	-	13,136	33,044	112,452
Total deductions	1,448,725	119,649	178,681	56,012	1,803,067
Change in net position	2,217,082	(117,033)	497,470	(30,833)	2,566,686
Net position, beginning of year	16,386,194	528,207	4,183,150	31,569	21,129,120
Net position, end of year	\$ 18,603,276	\$ 411,174	\$ 4,680,620	\$ 736	\$ 23,695,806

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

11. Leases

Excluding Board of Education

The County has several operating leases for office space, office equipment and site rental. Lease payments for the fiscal year ended June 30, 2014 totaled approximately \$102,000. These leases expire at various dates through 2022.

At June 30, 2014, the County has contractual agreements requiring approximately the following annual rental payments:

Fiscal Year Ending June 30

2015	\$	88,000
2016		43,000
2017		24,000
2018		14,000
2019		8,000
		8,000
	\$	177,000

The County has entered into a lease with the Maryland Rural Development Corporation for building space in Greensboro, Maryland. The property is being used by the Library for its North County branch. This lease requires monthly payments beginning April 1, 1996 of \$1,142 until March 31, 2025. The Library will pay these amounts from funds appropriated to it from the County. The lease may be renewed at expiration with no obligation for future rent. Total lease payments paid during the year ended June 30, 2014 were \$13,704.

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

Fiscal Year Ending June 30

2015	\$	13,704
2016		13,704
2017		13,704
2018		13,704
2019		13,704

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

11. **Leases (continued)**

Board of Education

The Board has entered into non-cancelable leases which transfer ownership at the end of the lease. Thus, the Board has recorded the lease obligations and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2014 consist of the following:

Building lease, bank, non-cancelable unless funds are not appropriated; interest at 5.1%; payable in annual installments of \$80,924, including interest through 2018	\$ 286,289
Energy equipment, bank, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017	300,181
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025	2,625,351
	<hr/> <hr/> \$ 3,211,821

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

11. **Leases (continued)**

Board of Education

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

<u>Fiscal Year Ending June 30</u>	
2015	\$ 422,257
2016	434,996
2017	445,516
2018	413,034
2019	300,719
2020 - 2024	1,799,980
2025 - 2026	84,457
	3,900,959
Less amounts representing interest	689,138
Present value of net minimum lease payments	\$ 3,211,821

Interest expense on the above capital leases was approximately \$139,500 for the year ended June 30, 2014.

The following is a summary of the changes in capital leases for the year ended June 30, 2014:

	July 01, 2013	Additions	Payments	June 30, 2014
Capital leases	\$ 3,468,121	\$ -	\$ 256,300	\$ 3,211,821

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$5,186,986 and the related accumulated depreciation was \$840,370 at June 30, 2014.

The Board leases administrative copy machines and computer equipment over a five-year term. These leases are classified as operating leases.

Approximate future minimum lease commitments are as follows:

<u>Fiscal Year Ending June 30</u>	
2015	\$ 528,000
2016	248,000
2017	117,000
2018	13,000
2019	-

Rent expense under these leases totaled approximately \$539,000 for the year ended June 30, 2014.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

12. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined the Local Government Insurance Trust (LGIT) to handle potential losses. LGIT is a consortium of Maryland local governments, created to provide insurance coverage and services to Maryland local government. The County continues to carry commercial insurance for all other risks of loss, including worker's compensation and employees' health and accident insurance. The County purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The County is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to the Alliance to cover potential shortfalls, are 8% of total premiums. Currently, the Alliance keeps on hand 16% as a recommended conservative reserve. All funds held by the Alliance are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

13. Landfill closure and postclosure care costs

The County has a 23.82% financial interest in Mid-Shore Regional Solid Waste Facility, which is owned and operated by Maryland Environmental Service (MES). The Landfills are located on the eastern shore and is shared by four counties. Under the Waste Disposal Service Agreement between MES and the County, in the event expenditures should exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest, however, to date additional funding from the County has not been required nor does management anticipate it.

In December 2010 the Mid-shore I landfill located in Talbot County accepted its last trash and in January 2011 the Mid-shore II landfill was opened for commercial business. As of June 30, 2014, total closure and post closure care costs were estimated at approximately \$23.3 million, with approximately \$5.6 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2014, a portion of these costs, \$9.8 million, determined by the estimated useful life of the Landfills.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

13. Landfill closure and postclosure care costs (continued)

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2013. MES expects to satisfy these requirements as of June 30, 2014 using the same criteria.

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

14. Commitments and contingencies

Legal actions

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

Federal and state funding

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

Contingent liability

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

15. Required fund disclosures

The following funds had expenditures exceed budgeted amounts.

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
General fund	\$ 42,103,526	\$	42,767,201	\$	(663,675)
Special revenue grants fund	95,321		195,416		(100,095)
Summerfest fund	36,500		40,714		(4,214)
Commissary account	160,000		191,782		(31,782)
Law library	10,075		24,709		(14,634)



Required Supplementary Information

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

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes – property:				
Real and personal property, net	\$ 24,142,955	\$ 24,142,955	\$ 24,314,759	\$ 171,804
Penalties, interest and fees	300,000	300,000	257,911	(42,089)
Total taxes - property	24,442,955	24,442,955	24,572,670	129,715
Taxes – income	10,800,000	10,800,000	11,461,356	661,356
Taxes – other local:				
Recordation	1,100,000	1,100,000	1,104,166	4,166
Franchise tax	136,000	136,000	159,167	23,167
Mobile home	75,000	75,000	66,535	(8,465)
Total taxes – other local	1,311,000	1,311,000	1,329,868	18,868
Taxes – state-shared:				
Highway users	384,600	384,600	368,375	(16,225)
Licenses and permits:				
Liquor	65,000	65,000	52,425	(12,575)
Traders license	21,000	21,000	20,305	(695)
Building permits	115,000	115,000	73,030	(41,970)
Other	9,500	9,500	10,793	1,293
Total licenses and permits	210,500	210,500	156,553	(53,947)
Intergovernmental revenue:				
Grants from federal government:				
Emergency management	67,000	67,000	68,212	1,212
Other federal grants	1,000	1,000	3,538	2,538
Temporary food assistance	5,000	5,000	-	(5,000)
Adult drug court grant	101,997	101,997	91,439	(10,558)
Incremental grant	120,000	120,000	131,052	11,052
Total grants from federal government	294,997	294,997	294,241	(756)

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues (continued):</u>				
Grants from state government:				
Equity grant	\$ 2,131,782	\$ 2,131,782	\$ 2,131,782	\$ -
Police protection	121,000	121,000	166,157	45,157
Teacher retirement supplement	685,108	685,108	685,108	-
Family services grant	147,500	147,500	125,578	(21,922)
Juvenile Drug Court	61,837	61,837	61,837	-
Fire companies	206,536	206,536	207,224	688
Other	75,551	75,551	68,555	(6,996)
Total grants from state government	3,429,314	3,429,314	3,446,241	16,927
Other Grants:				
School Resource Officer Grant	140,000	140,000	134,953	(5,047)
Other Grants	4,100	4,100	2,031	(2,069)
Total other grants	144,100	144,100	136,984	(7,116)
Charges for services:				
General government	117,900	117,900	134,414	16,514
Public safety	430,000	430,000	411,818	(18,182)
Public works	127,500	127,500	163,459	35,959
Recreation charges	50,500	50,500	66,110	15,610
Health	10,000	10,000	1,992	(8,008)
Weed control	17,000	17,000	20,901	3,901
Total charges for services	752,900	752,900	798,694	45,794
Miscellaneous revenues:				
Interest	5,000	5,000	4,056	(944)
Rents	38,000	38,000	35,007	(2,993)
Municipal infrastructure	22,895	22,895	22,895	-
Total miscellaneous revenues	65,895	65,895	61,958	(3,937)
Total revenues - General Fund	\$ 41,836,261	\$ 41,836,261	\$ 42,626,940	\$ 790,679

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Expenditures:</u>				
General government:				
County commissioners	\$ 452,400	\$ 452,400	\$ 428,032	\$ (24,368)
Ethics commission	200	200	620	420
Juvenile inter government grant	15,043	15,043	14,927	(116)
Judicial:				
Drug Court	101,997	101,997	91,439	(10,558)
Juvenile Drug Court	65,937	65,937	63,868	(2,069)
Family services grant	169,629	169,629	148,260	(21,369)
Circuit Court	279,999	279,999	255,347	(24,652)
Orphan's Court	19,140	19,140	18,774	(366)
State's attorney	718,129	718,129	722,911	4,782
Total judicial	1,354,831	1,354,831	1,300,599	(54,232)
Elections	390,338	390,338	352,143	(38,195)
State department of assessments	147,148	147,148	139,483	(7,665)
Tax Office	281,641	281,641	283,124	1,483
Office of Finance	302,715	302,715	312,308	9,593
Legal services	143,797	143,797	130,723	(13,074)
Office of Human Resources	479,524	479,524	448,486	(31,038)
Planning and codes administration	739,673	739,673	733,946	(5,727)
General services	198,654	198,654	249,010	50,356
Town planning grants	12,500	12,500	12,500	-
Office of Technology	354,316	354,316	347,297	(7,019)
Total general government	4,872,780	4,872,780	4,753,198	(119,582)
Public safety:				
Sheriff's department	2,633,806	2,633,806	2,535,538	(98,268)
Courthouse security	228,411	228,411	199,754	(28,657)
School Resource Officer	187,974	187,974	180,599	(7,375)
Adult offender Comm. Service	30,720	30,720	30,720	-
Fire protection	1,305,499	1,305,499	1,306,187	688
Corrections	3,552,085	3,552,085	3,516,036	(36,049)
Emergency Services - admin.	237,961	237,961	242,991	5,030
Emergency Services - comm.	1,221,483	1,221,483	1,128,464	(93,019)
Emergency Services - services	2,374,408	2,374,408	2,401,707	27,299
Emergency Services - risk mgmt.	165,065	165,065	165,472	407
Animal control	300,000	300,000	300,000	-
Liquor licensing	68,285	68,285	56,938	(11,347)
Total public safety	12,305,697	12,305,697	12,064,406	(241,291)

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Expenditures (continued):</u>				
Public works:				
Administration	\$ 307,130	\$ 307,130	\$ 298,580	\$ (8,550)
Central shop	609,519	609,519	598,971	(10,548)
Solid waste disposal	242,157	242,157	212,831	(29,326)
Johnsongrass	76,222	76,222	69,653	(6,569)
Mosquito control	77,674	77,674	71,106	(6,568)
Roads	1,630,473	1,630,473	1,360,626	(269,847)
County buildings	611,429	611,429	590,714	(20,715)
Total public works	3,554,604	3,554,604	3,202,481	(352,123)
Health:				
Health Department	377,903	377,903	377,903	-
Other	74,945	74,945	74,935	(10)
Total health	452,848	452,848	452,838	(10)
Social services	141,563	141,563	135,638	(5,925)
Education:				
Primary education	13,415,993	13,415,993	13,416,327	334
Chesapeake College - Chesapeake College project note of 2014	-	-	1,520,000	1,520,000
Chesapeake College	1,489,877	1,489,877	1,492,118	2,241
Total education	14,905,870	14,905,870	16,428,445	1,522,575
Public library	1,090,000	1,090,000	1,090,000	-
Recreation and parks	831,026	831,026	838,582	7,556
Arts	5,000	5,000	5,000	-
Conservation of natural resources	129,571	129,571	129,571	-
Interfaith housing	6,000	6,000	6,000	-
Economic development	242,850	242,850	242,850	-
Contingency	177,686	177,686	26,837	(150,849)
Debt service:				
Principal	2,407,287	2,407,287	2,399,000	(8,287)
Interest	980,744	980,744	992,355	11,611
Total debt service	3,388,031	3,388,031	3,391,355	3,324
Total expenditures – General Fund	42,103,526	42,103,526	42,767,201	663,675

See Independent Auditor's Report

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

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Other financing sources (uses):</u>				
Transfer in from:				
Educational facilities	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Basic life support	673,000	673,000	655,352	17,648
Recreation programs	1,700	1,700	1,700	-
Transfer out to:				
4-H park	(22,592)	(22,592)	(19,013)	(3,579)
Capital improvements	(314,843)	(314,843)	(897,670)	582,827
SHS medical	(65,000)	(65,000)	-	(65,000)
Sick leave unfunded liability	(65,000)	(65,000)	-	(65,000)
Note issued - Chesapeake College	-	-	1,520,000	(1,520,000)
Total other financing sources (uses) – General Fund	267,265	267,265	1,320,369	(1,053,104)
Total expenditures and other financing sources (uses)	41,836,261	41,836,261	41,446,832	(389,429)
Net change in fund balances	\$ -	\$ -	\$ 1,180,108	\$ 1,180,108

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED NOTES

Last ten fiscal years
June 30, 2014

(Dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Pension liability										
Service cost	\$ 540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,601	-	-	-	-	-	-	-	-	-
Changes of benefit terms	(500)	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	729	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(1,382)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	988	-	-	-	-	-	-	-	-	-
Total pension liability - beginning	22,778	-	-	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 23,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 1,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	35	-	-	-	-	-	-	-	-	-
Net investment income	2,505	-	-	-	-	-	-	-	-	-
Benefits payments, including refunds of members contributions	(1,382)	-	-	-	-	-	-	-	-	-
Administrative expense	(32)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,217	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	16,386	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 18,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's net pension liability - ending (a)-(b)	\$ 5,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	78%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	\$ 7,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	70%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected average remaining service years	7	-	-	-	-	-	-	-	-	-
Annual money-weighted rate of return	12.77%	-	-	-	-	-	-	-	-	-

Notes to schedule:

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

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

Information for 2013 and earlier is not available

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last ten fiscal years
June 30, 2014

	<i>(Dollar amounts in thousands)</i>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 1,005	\$ 1,167	\$ 1,122	\$ 935	\$ 788	\$ 999	\$ 1,008	\$ 986	\$ 902	\$ 740
Contributions in relation to the actuarially determined contribution	1,091	1,166	875	775	778	1,587	1,500	1,500	2,000	667
Contribution deficiency (excess)	\$ (86)	\$ 1	\$ 247	\$ 160	\$ 10	\$ (588)	\$ (492)	\$ (514)	\$ (1,098)	\$ 73
 Covered employee payroll	 \$ 7,388	 \$ 7,018	 \$ 7,060	 \$ 7,102	 \$ 7,938	 \$ 9,324	 \$ 9,192	 \$ 8,520	 \$ 7,103	 \$ 6,543
 Contributions as a percentage of covered employee payroll	 15%	 17%	 12%	 11%	 10%	 17%	 16%	 18%	 28%	 10%

Notes to schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

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

See Independent Auditor's Report

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

June 30, 2014

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

Schedule of Funding Progress for the Other Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 4,036,000	\$ 7,115,000	\$ 3,079,000	56.73%	\$ 7,060,145	43.61%
July 1, 2012	\$ 4,319,000	\$ 7,550,000	\$ 3,231,000	57.21%	\$ 7,060,145	45.76%
July 1, 2013	\$ 4,193,392	\$ 4,242,000	\$ 48,608	98.85%	\$ 6,962,170	0.70%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Prepaid)
June 30, 2012	\$ 518,000	\$ 247,720	47.82%	\$ (2,547,331)
June 30, 2013	\$ 543,000	\$ 82,031	15.11%	\$ (2,086,362)
June 30, 2014	\$ 180,000	\$ 229,790	127.66%	\$ (2,136,152)

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THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

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, Jonestown Water System, Revolving Loan, MEAF Revolving Loan, Equitable Sharing Task, and Health Department funds. The budgetary financial schedules included in required supplementary information include the General Fund, as required. Budgetary comparison schedules for all annually budgeted Special Revenue and Capital Projects Funds are included in Other Supplementary Information. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All annual 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, 2014.



Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2014

	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	\$ -	\$ 23,171	\$ 1,728	\$ -	\$ -	\$ 97,309	\$ 119,965
Accounts receivable	-	-	49,233	4,965	-	108,851	32,847
Due from other funds	-	-	-	1,675	-	-	-
Other assets	-	-	-	-	-	-	-
Total assets	\$ -	\$ 23,171	\$ 50,961	\$ 6,640	\$ -	\$ 206,160	\$ 152,812
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 1,988	\$ 2,938	\$ 1,433	\$ 2,669	\$ -	\$ -	\$ -
Due to other funds	10,516	-	47,022	-	57	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	12,504	2,938	48,455	2,669	57	-	-
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	2,506	3,971	-	206,160	152,812
Committed	-	-	-	-	-	-	-
Assigned	-	20,233	-	-	-	-	-
Unassigned	(12,504)	-	-	-	(57)	-	-
Total fund balances (deficit)	(12,504)	20,233	2,506	3,971	(57)	206,160	152,812
Total liabilities and fund balances	\$ -	\$ 23,171	\$ 50,961	\$ 6,640	\$ -	\$ 206,160	\$ 152,812

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2014

	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	\$ -	\$ -	\$ 37,200	\$ 136,387	\$ 8,841	\$ 19,090	\$ 30,919
Accounts receivable	-	-	-	-	-	2,034	1,610
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	1,750	-	-
Total assets	\$ -	\$ -	\$ 37,200	\$ 136,387	\$ 10,591	\$ 21,124	\$ 32,529
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 15,352	\$ 1,188
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	2,427	-	-	-
Unearned revenues	-	-	-	-	12,831	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	-	2,427	12,853	15,352	1,188
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	5,772	31,341
Committed	-	-	37,200	133,960	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(2,262)	-	-
Total fund balances (deficit)	-	-	37,200	133,960	(2,262)	5,772	31,341
Total liabilities and fund balances	\$ -	\$ -	\$ 37,200	\$ 136,387	\$ 10,591	\$ 21,124	\$ 32,529

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2014

	Special Revenue Funds						
	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical
ASSETS:							
Cash and cash equivalents	\$ 15,416	\$ 21,431	\$ 88,481	\$ 66,806	\$ 520,242	\$ 16,425	\$ 120,000
Accounts receivable	-	-	49,414	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total assets	\$ 15,416	\$ 21,431	\$ 137,895	\$ 66,806	\$ 520,242	\$ 16,425	\$ 120,000
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 4,467	\$ 270	\$ -	\$ 16,425	\$ -
Due to other funds	-	-	134,558	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	120,000
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	139,025	270	-	16,425	120,000
Fund balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	15,416	21,431	-	-	-	-	-
Assigned	-	-	-	66,536	520,242	-	-
Unassigned	-	-	(1,130)	-	-	-	-
Total fund balances (deficit)	15,416	21,431	(1,130)	66,536	520,242	-	-
Total liabilities and fund balances	\$ 15,416	\$ 21,431	\$ 137,895	\$ 66,806	\$ 520,242	\$ 16,425	\$ 120,000

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2014

	Special Revenue Funds		Capital Projects Fund		Totals
	Drug Task Force	Dayspring Townhomes	Educational Facilities		
ASSETS:					
Cash and cash equivalents	\$ 129,891	\$ 51,519	\$ 54,387	\$	1,559,208
Accounts receivable	-	10,881	-		259,835
Due from other funds	-	-	-		1,675
Other assets	-	648,468	-		650,218
Total assets	\$ 129,891	\$ 710,868	\$ 54,387	\$	2,470,936
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 2,150	\$ 18,650	\$ -	\$	67,552
Due to other funds	3,334	-	-		195,487
Due to other governments	-	-	-		2,427
Unearned revenues	-	-	-		132,831
Other liabilities	-	25,316	-		25,316
Total liabilities	5,484	43,966	-		423,613
Fund balances:					
Non-spendable	-	-	-		-
Restricted	124,407	666,902	-		1,193,871
Committed	-	-	54,387		262,394
Assigned	-	-	-		607,011
Unassigned	-	-	-		(15,953)
Total fund balances (deficit)	124,407	666,902	54,387		2,047,323
Total liabilities and fund balances	\$ 129,891	\$ 710,868	\$ 54,387	\$	2,470,936

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

	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	-	-	196,194	40,701	89,275	-	-
Miscellaneous revenues	-	14,717	-	-	-	4,831	919
Total revenues	-	14,717	196,194	40,701	89,275	4,831	919
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	41,901	-	-	-
Public works	12,504	-	-	-	89,332	-	-
Recreation and culture	-	33,730	-	-	-	-	-
Economic development	-	-	195,416	-	-	7,268	-
Total expenditures	12,504	33,730	195,416	41,901	89,332	7,268	-
Excess (deficiency) of revenues over expenditures	(12,504)	(19,013)	778	(1,200)	(57)	(2,437)	919
Other financing sources (uses):							
Transfers in (out)	-	19,013	-	-	-	-	-
Total other financing sources (uses)	-	19,013	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(12,504)	-	778	(1,200)	(57)	(2,437)	919
Fund balances (deficit), beginning	-	20,233	1,728	5,171	-	208,597	151,893
Fund balances (deficit), ending	\$ (12,504)	\$ 20,233	\$ 2,506	\$ 3,971	\$ (57)	\$ 206,160	\$ 152,812

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

	Special Revenue Funds						
	Dog Licenses	Equitable Sharing Task Force	Local Agricultural Land Preservation	State Agricultural Land Preservation	Summerfest	Commissary Account	Law Library
Revenues:							
Taxes	\$ -	\$ -	\$ 9,750	\$ 7,822	\$ -	\$ -	\$ -
Licenses and permits	137	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Miscellaneous revenues	-	9,408	-	-	30,449	193,397	11,620
Total revenues	137	9,408	9,750	7,822	30,449	193,397	11,620
Expenditures:							
General government	-	-	-	-	-	-	24,709
Public safety	137	9,408	-	-	-	191,782	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	40,714	-	-
Economic development	-	-	-	-	-	-	-
Total expenditures	137	9,408	-	-	40,714	191,782	24,709
Excess (deficiency) of revenues over expenditures	-	-	9,750	7,822	(10,265)	1,615	(13,089)
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	-	-	9,750	7,822	(10,265)	1,615	(13,089)
Fund balances (deficit), beginning	-	-	27,450	126,138	8,003	4,157	44,430
Fund balances (deficit), ending	\$ -	\$ -	\$ 37,200	\$ 133,960	\$ (2,262)	\$ 5,772	\$ 31,341

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

	Special Revenue Funds						
	Critical Area Forestry	Forest Conservation	Emergency Management Grant	Business and Tech Park	Health Department	Stormwater Facilities	SHS Medical
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	203,065	-	-	-	120,000
Miscellaneous revenues	-	-	-	-	1,580	-	-
Total revenues	-	-	203,065	-	1,580	-	120,000
Expenditures:							
General government	-	1,545	-	-	-	-	-
Public safety	-	-	203,065	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Economic development	-	-	-	1,464	-	-	-
Total expenditures	-	1,545	203,065	1,464	-	-	-
Excess (deficiency) of revenues over expenditures	-	(1,545)	-	(1,464)	1,580	-	120,000
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	(120,000)
Total other financing sources (uses)	-	-	-	-	-	-	(120,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(1,545)	-	(1,464)	1,580	-	-
Fund balances (deficit), beginning	15,416	22,976	(1,130)	68,000	518,662	-	-
Fund balances (deficit), ending	\$ 15,416	\$ 21,431	\$ (1,130)	\$ 66,536	\$ 520,242	\$ -	\$ -

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

	Special Revenue Funds		Capital Projects	Totals
	Drug Task Force	Dayspring Townhomes	Capital Projects Fund Educational Facilities	
Revenues:				
Taxes	\$ -	\$ -	\$ 79,486	\$ 97,058
Licenses and permits	-	-	-	137
Intergovernmental revenues	-	-	-	649,235
Miscellaneous revenues	50,549	297,521	-	614,991
Total revenues	50,549	297,521	79,486	1,361,421
Expenditures:				
General government	-	285,344	-	311,598
Public safety	77,936	-	-	524,229
Public works	-	-	-	101,836
Recreation and culture	-	-	-	74,444
Economic development	-	-	-	204,148
Total expenditures	77,936	285,344	-	1,216,255
Excess (deficiency) of revenues over expenditures	(27,387)	12,177	79,486	145,166
Other financing sources (uses):				
Transfers in (out)	-	-	(60,000)	(160,987)
Total other financing sources (uses)	-	-	(60,000)	(160,987)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(27,387)	12,177	19,486	(15,821)
Fund balances (deficit), beginning	151,794	654,725	34,901	2,063,144
Fund balances (deficit), ending	\$ 124,407	\$ 666,902	\$ 54,387	\$ 2,047,323

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2014

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	\$ 37,597	\$ 77,146	\$ 13,665	\$ 4,158	\$ 37,823	\$ 1,645	\$ 27,544	\$ 33,313	\$ 399,806	\$ 350	\$ 633,047
Taxes and other receivables	18,529	33,166	-	-	-	-	-	-	-	-	51,695
Total assets	\$ 56,126	\$ 110,312	\$ 13,665	\$ 4,158	\$ 37,823	\$ 1,645	\$ 27,544	\$ 33,313	\$ 399,806	\$ 350	\$ 684,742
LIABILITIES:											
Accounts payable	\$ -	\$ -	\$ 13,665	\$ 4,158	\$ 37,823	\$ -	\$ 27,544	\$ -	\$ -	\$ -	\$ 83,190
Due to property owners	-	-	-	-	-	-	-	-	399,806	-	399,806
Due to other governments	56,126	110,312	-	-	-	-	-	33,313	-	350	200,101
Due to participants	-	-	-	-	-	1,645	-	-	-	-	1,645
Total liabilities	\$ 56,126	\$ 110,312	\$ 13,665	\$ 4,158	\$ 37,823	\$ 1,645	\$ 27,544	\$ 33,313	\$ 399,806	\$ 350	\$ 684,742

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
State Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 39,113	\$ 2,433,222	\$ 2,434,738	\$ 37,597
Taxes and other receivables	12,198	2,863,884	2,857,553	18,529
Total assets	\$ 51,311	\$ 5,297,106	\$ 5,292,291	\$ 56,126
Liabilities:				
Due to other governments	\$ 51,311	\$ 2,863,884	\$ 2,859,069	\$ 56,126
Total liabilities	\$ 51,311	\$ 2,863,884	\$ 2,859,069	\$ 56,126
Town Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 85,749	\$ 5,039,496	\$ 5,048,099	\$ 77,146
Taxes and other receivables	18,900	5,179,683	5,165,417	33,166
Total assets	\$ 104,649	\$ 10,219,179	\$ 10,213,516	\$ 110,312
Liabilities:				
Due to other governments	\$ 104,649	\$ 5,179,683	\$ 5,174,020	\$ 110,312
Total liabilities	\$ 104,649	\$ 5,179,683	\$ 5,174,020	\$ 110,312
DMV Tag Sales Fund:				
Assets:				
Cash and cash equivalents	\$ 13,765	\$ 332,311	\$ 332,411	\$ 13,665
Total assets	\$ 13,765	\$ 332,311	\$ 332,411	\$ 13,665
Liabilities:				
Accounts Payable	\$ 13,765	\$ 332,311	\$ 332,411	\$ 13,665
Total liabilities	\$ 13,765	\$ 332,311	\$ 332,411	\$ 13,665

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance July 01, 2013		Additions		Deductions		Balance June 30, 2014
Hotel Rental Tax:							
Assets:							
Cash and cash equivalents	\$ 3,503	\$	39,215	\$	38,560	\$	4,158
Total assets	\$ 3,503	\$	39,215	\$	38,560	\$	4,158
Liabilities:							
Accounts payable	\$ 3,503	\$	39,215	\$	38,560	\$	4,158
Total liabilities	\$ 3,503	\$	39,215	\$	38,560	\$	4,158
Tax Sale Proceeds Fund:							
Assets:							
Cash and cash equivalents	\$ 100,005	\$	835,476	\$	897,658	\$	37,823
Total assets	\$ 100,005	\$	835,476	\$	897,658	\$	37,823
Liabilities:							
Accounts payable	\$ 100,005	\$	835,476	\$	897,658	\$	37,823
Total liabilities	\$ 100,005	\$	835,476	\$	897,658	\$	37,823
Inmate Account:							
Assets:							
Cash and cash equivalents	\$ 4,192	\$	170,033	\$	172,580	\$	1,645
Total assets	\$ 4,192	\$	170,033	\$	172,580	\$	1,645
Liabilities:							
Due to participants	\$ 4,192	\$	170,033	\$	172,580	\$	1,645
Total liabilities	\$ 4,192	\$	170,033	\$	172,580	\$	1,645

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Confiscated Properties Fund:				
Assets:				
Cash and cash equivalents	\$ 42,245	\$ 10,612	\$ 25,313	\$ 27,544
Total assets	\$ 42,245	\$ 10,612	\$ 25,313	\$ 27,544
Liabilities:				
Accounts payable	\$ 42,245	\$ 10,612	\$ 25,313	\$ 27,544
Total liabilities	\$ 42,245	\$ 10,612	\$ 25,313	\$ 27,544
Bay Restoration Fund:				
Assets:				
Cash and cash equivalents	\$ 37,936	\$ 502,604	\$ 507,227	\$ 33,313
Total assets	\$ 37,936	\$ 502,604	\$ 507,227	\$ 33,313
Liabilities:				
Due to other governments	\$ 37,936	\$ 502,604	\$ 507,227	\$ 33,313
Total liabilities	\$ 37,936	\$ 502,604	\$ 507,227	\$ 33,313
Public Drainage Association:				
Assets:				
Cash and cash equivalents	\$ 378,617	\$ 118,705	\$ 97,516	\$ 399,806
Total assets	\$ 378,617	\$ 118,705	\$ 97,516	\$ 399,806
Liabilities:				
Accounts Payable	\$ 10	\$ -	\$ 10	\$ -
Due to property owners	378,607	118,705	97,506	399,806
Total liabilities	\$ 378,617	\$ 118,705	\$ 97,516	\$ 399,806

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance July 01, 2013		Additions		Deductions		Balance June 30, 2014
Home Builder Guaranty Fund							
Assets:							
Cash and cash equivalents	\$ 100	\$	2,000	\$	1,750	\$	350
Total assets	\$ 100	\$	2,000	\$	1,750	\$	350
Liabilities:							
Due to other governments	\$ 100	\$	2,000	\$	1,750	\$	350
Total liabilities	\$ 100	\$	2,000	\$	1,750	\$	350
Total Agency Funds:							
Assets:							
Cash and cash equivalents	\$ 705,225	\$	9,483,674	\$	9,555,852	\$	633,047
Taxes and other receivables	31,098		8,043,567		8,022,970		51,695
Total assets	\$ 736,323	\$	17,527,241	\$	17,578,822	\$	684,742
Liabilities:							
Accounts payable	\$ 159,528	\$	1,217,614	\$	1,293,952	\$	83,190
Due to property owners	378,607		118,705		97,506		399,806
Due to other governments	193,996		8,548,171		8,542,066		200,101
Due to participants	4,192		170,033		172,580		1,645
Total liabilities	\$ 736,323	\$	10,054,523	\$	10,106,104	\$	684,742

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS

June 30, 2014

	Recreation Programs	Jonestown Water System	Public Works	Broadband Supply Fund	Totals
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 127,619	\$ -	\$ 158,533	\$ 127,402	\$ 413,554
Accounts receivable	90,835	-	74,565	22,176	187,576
Due from other funds	-	-	207	-	207
Total current assets	218,454	-	233,305	149,578	601,337
Noncurrent assets:					
Capital assets, net	-	-	25,373	214,668	240,041
Total assets	218,454	-	258,678	364,246	841,378
LIABILITIES:					
Current liabilities:					
Accounts payable	35,707	-	24,807	24,450	84,964
Unearned revenue	24,628	-	-	2,137	26,765
Total current liabilities	60,335	-	24,807	26,587	111,729
Noncurrent liabilities:					
Long-term debt	-	-	-	-	-
Total liabilities	60,335	-	24,807	26,587	111,729
NET POSITION:					
Invested in capital assets	-	-	25,373	214,668	240,041
Unrestricted	158,119	-	208,498	122,991	489,608
Total net position	\$ 158,119	\$ -	\$ 233,871	\$ 337,659	\$ 729,649

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

	Recreation Programs	Jonestown Water System	Public Works	Broadband Supply Fund	Totals
Operating revenues:					
Charges for services	\$ 188,985	\$ -	\$ 891,077	\$ 229,222	\$ 1,309,284
Total operating revenues	188,985	-	891,077	229,222	1,309,284
Operating expenses:					
Personnel services	232,751	-	-	-	232,751
Operations and maintenance	212,856	-	817,962	122,981	1,153,799
Depreciation expense	-	-	1,990	50,501	52,491
Total operating expenses	445,607	-	819,952	173,482	1,439,041
Operating income (loss)	(256,622)	-	71,125	55,740	(129,757)
Nonoperating revenues (expenses):					
Intergovernmental revenues	285,070	-	-	-	285,070
Capital asset transferred to governmental fund	-	(902,196)	-	-	(902,196)
Transfers in (out)	(1,700)	-	-	-	(1,700)
Total nonoperating revenues (expenses)	283,370	(902,196)	-	-	(618,826)
Change in net position	26,748	(902,196)	71,125	55,740	(748,583)
Net position, beginning of year	131,371	902,196	162,746	281,919	1,478,232
Net position, end of year	\$ 158,119	\$ -	\$ 233,871	\$ 337,659	\$ 729,649

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS -
OTHER PROPRIETARY FUNDS

YEAR ENDED June 30, 2014

	Recreation Programs	Jonestown Water System	Public Works	Broadband Supply Fund	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 187,576	\$ -	\$ 877,411	\$ 229,304	\$ 1,294,291
Cash paid to suppliers	(208,058)	-	(795,696)	(131,434)	(1,135,188)
Cash paid to employees	(232,751)	-	-	-	(232,751)
Net cash provided (used) by operating activities	(253,233)	-	81,715	97,870	(73,648)
Cash flows from noncapital financing activities					
Intergovernmental	285,070	-	-	-	285,070
Transfer in (out)	(1,700)	-	-	-	(1,700)
Payment of interfund loan	-	-	(207)	(80,678)	(80,885)
Net cash provided (used) by noncapital financing activities	283,370	-	(207)	(80,678)	202,485
Net increase in cash and cash equivalents	30,137	-	81,508	17,192	128,837
Cash and cash equivalents, beginning of year	97,482	-	77,025	110,210	284,717
Cash and cash equivalents, end of year	\$ 127,619	\$ -	\$ 158,533	\$ 127,402	\$ 413,554
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (256,622)	\$ -	\$ 71,125	\$ 55,740	\$ (129,757)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	1,990	50,501	52,491
Decrease (increase) in accounts receivable	(11,106)	-	(13,666)	-	(24,772)
Increase (decrease) in accounts payable	4,798	-	22,266	(8,453)	18,611
Increase (decrease) in unearned revenue	9,697	-	-	82	9,779
Net cash provided (used) by operating activities	\$ (253,233)	\$ -	\$ 81,715	\$ 97,870	\$ (73,648)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND
 YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 210,842	\$ 210,842	\$ 344,652	\$ 133,810
Intergovernmental revenues	3,366,979	3,366,979	1,522,079	(1,844,900)
Miscellaneous revenues	114,356	114,356	77,758	(36,598)
Total revenues	3,692,177	3,692,177	1,944,489	(1,747,688)
<u>Expenditures:</u>				
General government	87,000	87,000	66,740	(20,260)
Public safety	394,081	394,081	1,317,596	923,515
Public works	2,928,944	2,928,944	1,373,536	(1,555,408)
Public Library	54,800	54,800	24,000	(30,800)
Recreation and parks	931,427	931,427	469,701	(461,726)
Total expenditures	4,396,252	4,396,252	3,251,573	(1,144,679)
Excess (deficiency) of revenues over expenditures	(704,075)	(704,075)	(1,307,084)	(603,009)
<u>Other financing sources (uses):</u>				
Transfers in (out)	411,843	411,843	1,056,686	644,843
Fund balance re-appropriated	133,958	133,958	-	(133,958)
Proceeds from issuance of debt	158,274	158,274	-	(158,274)
Total other financing sources (uses)	704,075	704,075	1,056,686	352,611
Net change in fund balances	\$ -	\$ -	\$ (250,398)	\$ (250,398)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
 BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND
 YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 60,000	\$ 60,000	\$ 79,486	\$ 19,486
Total revenues	60,000	60,000	79,486	19,486
<u>Expenditures</u>				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	60,000	60,000	79,486	19,486
<u>Other financing sources (uses):</u>				
Transfers in (out)	(60,000)	(60,000)	(60,000)	-
Net change in fund balances	\$ -	\$ -	\$ 19,486	\$ 19,486

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

YEAR ENDED June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>4-H Park:</u>				
Revenues:				
Miscellaneous revenues	\$ 14,728	\$ 14,728	\$ 14,717	\$ (11)
Expenditures:				
Recreation and culture	37,320	37,320	33,730	(3,590)
Other financing sources(uses):				
Transfers in	22,592	22,592	19,013	(3,579)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Special Grants</u>				
Revenues:				
Intergovernmental revenues	\$ 95,321	\$ 95,321	\$ 196,194	\$ 100,873
Expenditures:				
Economic development	95,321	95,321	195,416	100,095
Revenues over (under) expenditures	\$ -	\$ -	\$ 778	\$ 778
<u>OJP Grant Law Enforcement:</u>				
Revenues:				
Intergovernmental revenues	\$ 47,280	\$ 47,280	\$ 40,701	\$ (6,579)
Expenditures:				
Public safety	47,280	47,280	41,901	(5,379)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,200)	\$ (1,200)
<u>CDBG:</u>				
Revenues:				
Intergovernmental revenues	\$ 89,275	\$ 89,275	\$ 89,275	\$ -
Expenditures:				
Public works	89,275	89,275	89,332	57
Revenues over (under) expenditures	\$ -	\$ -	\$ (57)	\$ (57)

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

YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Dog Licenses:</u>				
Revenues:				
Licenses and permits	\$ 400	\$ 400	\$ 137	\$ (263)
Expenditures:				
Public safety	400	400	137	(263)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Local Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 10,000	\$ 10,000	\$ 9,750	\$ (250)
Expenditures:				
General government	10,000	10,000	-	(10,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ 9,750	\$ 9,750
<u>State Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 7,822	\$ (22,178)
Expenditures:				
General government	10,000	10,000	-	(10,000)
Other financing sources(uses):				
Transfers out	(20,000)	(20,000)	-	20,000
Revenues over (under) expenditures	\$ -	\$ -	\$ 7,822	\$ 7,822
<u>Summerfest Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 36,500	\$ 36,500	\$ 30,449	(6,051)
Expenditures:				
Recreation and culture	36,500	36,500	40,714	4,214
Revenues over (under) expenditures	\$ -	\$ -	\$ (10,265)	\$ (10,265)

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

YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 160,000	\$ 160,000	\$ 193,397	\$ 33,397
Expenditures:				
Public safety	160,000	160,000	191,782	31,782
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,615	\$ 1,615
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 10,075	\$ 10,075	\$ 11,620	\$ 1,545
Expenditures:				
General government	10,075	10,075	24,709	14,634
Revenues over (under) expenditures	\$ -	\$ -	\$ (13,089)	\$ (13,089)
<u>Critical Area Forestry:</u>				
Revenues:				
Miscellaneous revenues	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Expenditures:				
Miscellaneous	2,000	2,000	-	(2,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Expenditures:				
General government	3,000	3,000	1,545	(1,455)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,545)	\$ (1,545)

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

YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Emergency Management Grant:</u>				
Revenues:				
Intergovernmental revenues	\$ 484,257	\$ 484,257	\$ 203,065	\$ (281,192)
Expenditures:				
Public safety	484,257	484,257	203,065	(281,192)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<u>Business & Technology Park Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ 58,214	\$ 58,214	\$ -	\$ (58,214)
Expenditures:				
Economic development	58,214	58,214	1,464	(56,750)
Revenues over (under) expenditures	\$ -	\$ -	\$ (1,464)	\$ (1,464)
<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>SHS Medical</u>				
Revenues:				
Intergovernmental revenues	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Expenditures:				
Health	120,000	120,000	-	(120,000)
Other financing sources(uses):				
Transfers in (out)	-	-	(120,000)	(120,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

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

YEAR ENDED June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Drug Task Force:</u>				
Revenues:				
Miscellaneous revenues	\$ 97,201	\$ 97,201	\$ 50,549	(46,652)
Expenditures:				
Public safety	97,201	97,201	77,936	(19,265)
Revenues over (under) expenditures	\$ -	\$ -	\$ (27,387)	\$ (27,387)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY
REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS
YEAR ENDED June 30, 2014

Revenue:		
State-shared taxes	\$	368,375
<hr/>		
Expenditures – public works:		
General administration		298,580
Central shop		600,073
Highways and roads		1,360,626
Debt service		177,353
General services		28,278
Capital road expenditures		927,737
<hr/>		
Total expenditures – highway users		3,392,647
<hr/>		
Excess (deficiency) of revenues over expenditures – highway users	\$	(3,024,272)
<hr/>		

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED June 30, 2014

		<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance</u> <u>With Final</u> <u>Budget</u>
			<u>Original</u>	<u>Final</u>	
Transcript	\$ 1,837				
TMDL coalition participation	25,000				
<hr/>		26,837	177,686	177,686	150,849
Total expenditures – Contingency Fund	\$ 26,837	\$ 26,837	\$ 177,686	\$ 177,686	\$ 150,849



STATISTICAL SECTION

STATISTICAL SECTION

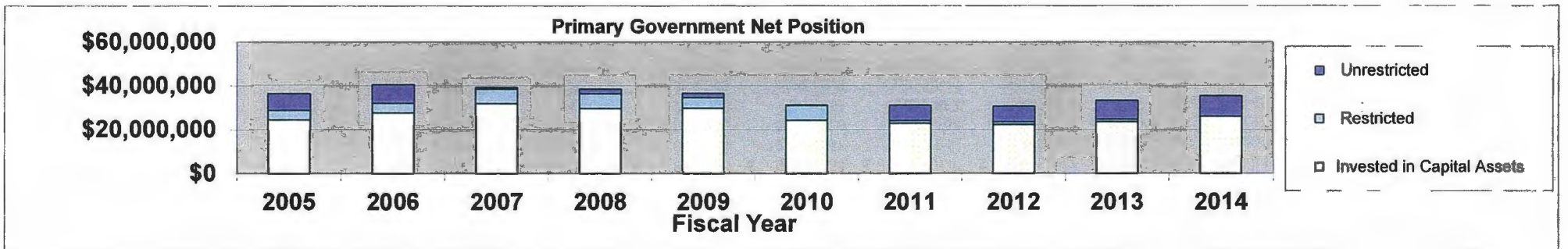
This part of Caroline Counties comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the counties overall financial health.

<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,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 24,037,880	\$ 27,382,148	\$ 31,588,073	\$ 28,997,031	\$ 28,997,508	\$ 20,726,884	\$ 22,611,390	\$ 22,018,273	\$ 22,400,051	\$ 25,789,169
Restricted for:										
Capital Projects	3,315,718	3,253,585	5,706,098	5,698,035	3,791,417	5,547,595	-	-	-	-
Other Purposes	940,517	1,132,562	833,225	957,072	1,045,114	1,103,918	1,276,394	1,262,729	1,222,495	1,193,871
Unrestricted	7,373,596	8,158,698	502,046	1,703,186	1,358,337	(33,962)	6,513,557	6,366,717	7,746,598	8,021,571
Total Government Activities Net Position	\$ 35,667,711	\$ 39,926,993	\$ 38,629,442	\$ 37,355,324	\$ 35,192,376	\$ 27,344,435	\$ 30,401,341	\$ 29,647,719	\$ 31,369,144	\$ 35,004,611
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 341,437	\$ 357,812	\$ 379,187	\$ 788,442	\$ 786,170	\$ 3,633,900	\$ 335,514	\$ 345,023	\$ 1,194,728	\$ 240,041
Unrestricted	177,069	178,731	159,179	351,383	610,117	211,922	334,353	606,197	671,536	1,167,628
Total Business-type Activities Net Position	\$ 518,506	\$ 536,543	\$ 538,366	\$ 1,139,825	\$ 1,396,287	\$ 3,845,822	\$ 669,867	\$ 951,220	\$ 1,866,264	\$ 1,407,669
Primary Government										
Invested in Capital Assets Net of Related Debt	\$ 24,379,317	\$ 27,739,960	\$ 31,967,260	\$ 29,785,473	\$ 29,783,678	\$ 24,360,784	\$ 22,946,904	\$ 22,363,296	\$ 23,594,779	\$ 26,029,210
Restricted	4,256,235	4,386,147	6,539,323	6,655,107	4,836,531	6,651,513	1,276,394	1,262,729	1,222,495	1,193,871
Unrestricted	7,550,665	8,337,429	661,225	2,054,569	1,968,454	177,960	6,847,910	6,972,914	8,418,134	9,189,199
Total Primary Government Net Position	\$ 36,186,217	\$ 40,463,536	\$ 39,167,808	\$ 38,495,149	\$ 36,588,663	\$ 31,190,257	\$ 31,071,208	\$ 30,598,939	\$ 33,235,408	\$ 36,412,280



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

Years ended June 30,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Government Activities:										
General Government	\$ 4,884,446	\$ 5,506,575	\$ 4,848,675	\$ 5,807,431	\$ 6,372,040	\$ 5,693,667	\$ 5,628,953	\$ 6,845,879	\$ 6,157,331	\$ 5,589,617
Public Safety	9,349,540	11,043,054	12,019,174	12,625,257	13,007,213	12,775,201	13,031,198	13,214,384	13,784,479	13,339,410
Public Works	5,752,137	5,636,041	5,876,260	5,964,220	5,870,164	5,277,671	4,908,094	4,573,494	4,142,162	4,057,284
Health	735,514	844,006	945,008	1,049,262	1,022,864	962,574	621,859	456,265	454,796	452,838
Social Services	274,835	836,128	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129	133,412	131,212	135,638
Primary Education	11,690,348	11,963,391	15,456,631	14,641,010	13,103,740	16,619,350	13,498,500	14,109,214	13,497,885	13,416,327
Secondary Education	1,606,200	1,215,455	1,609,472	1,634,409	1,398,888	1,872,085	1,413,551	1,434,573	1,429,541	2,958,503
Recreation and Culture	715,164	836,065	918,560	1,147,308	1,371,773	1,203,622	1,153,486	1,172,538	1,373,010	1,356,787
Library	1,124,088	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000
Conservation of Natural	319,236	541,547	1,640,418	1,282,299	1,624,572	477,288	765,874	336,609	337,131	175,454
Economic Development	443,675	505,092	351,676	387,535	1,305,488	311,172	357,460	1,172,532	1,349,254	446,998
Public Housing	515,747	506,949	480,874	593,925	403,937	483,684	315,255	-	6,000	6,000
Interest on Long Term Debt	950,778	863,417	988,540	1,183,589	1,288,655	1,042,954	1,435,458	1,118,515	1,048,293	992,355
<i>Total Government Activities Expenses</i>	<u>38,361,708</u>	<u>41,653,220</u>	<u>48,043,403</u>	<u>49,270,048</u>	<u>49,470,875</u>	<u>49,060,305</u>	<u>45,496,817</u>	<u>45,678,465</u>	<u>44,820,269</u>	<u>44,041,211</u>
Business-type Activities										
Broadband supply	-	-	11,040	26,406	101,000	156,337	114,178	140,066	178,451	173,482
Interest on Long Term Debt -HAPS Building	177,581	172,013	166,073	159,761	153,203	147,446	-	-	-	-
Health and Public Service	253,870	274,685	293,033	329,295	314,953	334,437	-	-	-	-
Recreation	472,095	645,659	684,407	733,518	694,240	759,223	619,732	681,819	495,678	445,607
Public Works	304,154	508,587	611,436	804,193	585,571	581,872	755,518	814,760	826,306	819,952
Basic Life Support	255,212	316,915	364,825	410,995	382,184	542,224	517,036	531,269	572,597	425,067
<i>Total Business-type Activities Expense</i>	<u>1,462,912</u>	<u>1,917,859</u>	<u>2,130,814</u>	<u>2,464,168</u>	<u>2,231,151</u>	<u>2,521,539</u>	<u>2,006,464</u>	<u>2,167,914</u>	<u>2,073,032</u>	<u>1,864,108</u>
<i>Total Primary Government Expenses</i>	<u>39,824,620</u>	<u>43,571,079</u>	<u>50,174,217</u>	<u>51,734,216</u>	<u>51,702,026</u>	<u>51,581,844</u>	<u>47,503,281</u>	<u>47,846,379</u>	<u>46,893,301</u>	<u>45,905,319</u>

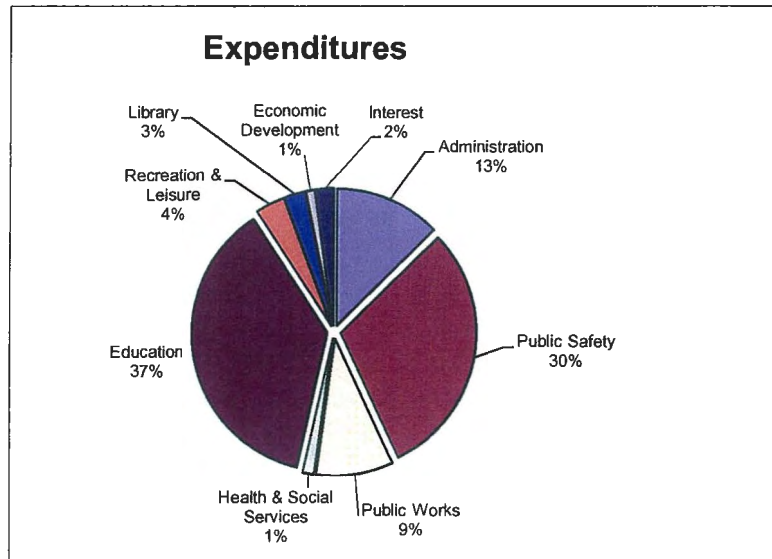
Caroline County, Maryland
Changes in Net Position
Last Ten Years
(accrual basis of accounting)
Schedule 2

Years ended June 30,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues										
Governmental Activities										
General Government	\$ 362,058	\$ 333,377	\$ 585,852	\$ 550,340	\$ 595,842	\$ 791,199	\$ 745,765	\$ 1,620,463	\$ 1,830,440	\$ 1,741,265
Public Safety	3,014,093	2,176,836	2,398,251	2,166,655	2,238,088	1,563,683	1,591,734	1,434,151	2,076,878	2,081,724
Public Works	4,296,667	4,996,801	4,470,889	4,663,886	3,708,693	669,237	1,118,952	855,996	693,388	984,496
Health	33,638	29,219		37,557	33,082	44,993	48,413	243	196	137
Social Services	69,826	623,790	1,112,316	1,077,441	951,127	1,508,785	1,117,280		7,258	536
Recreation and Culture	329,391	299,351	865,305	1,034,659	827,335	197,013	900,348	175,116	164,911	510,942
Library	-	-	141,539	-	-	-	-	-	-	5,500
Conservation of Natural Resources	255,209	332,087	104,298	166,778	154,706	240,903	331,508	164,866	176,201	130
Economic Development	336,676	292,398	823,059	766,205	1,674,404	266,154	133,372	1,071,275	1,090,517	285,469
Public Housing	384,485	392,202	356,772	504,416	393,834	455,943	296,401	-	-	-
Interest	17,718	16,326	14,743	6,636	11,278	9,365	7,410	-	-	-
Total Government Activities Program Revenues	9,099,761	9,492,387	10,873,024	10,974,573	10,588,389	5,747,275	6,291,183	5,322,110	6,039,789	5,610,199
Business-type Activities										
Charges for Service										
Jonestown	-	-	-	-	-	-	-	-	791,440	-
Broadband	-	-	-	56,784	181,160	152,586	171,450	219,169	228,248	229,222
Health and Public Service	394,904	387,787	385,597	526,558	498,215	482,358	-	-	-	-
Recreation	218,505	238,578	245,766	200,936	200,295	159,194	173,827	167,309	184,591	188,985
Public Works	338,260	557,967	632,134	829,427	644,480	648,923	790,680	863,618	870,044	891,077
Basic Life Support	658,089	758,281	909,357	1,028,941	1,063,760	1,145,963	1,150,699	1,407,294	1,343,084	1,409,423
Operating Grants-Recreation	213,640	387,741	421,680	534,603	518,977	617,019	519,800	467,053	339,869	285,070
Net Transfers in						1,765,031	(3,975,947)	(675,176)	(769,200)	(1,598,264)
Total Business-type Activities Revenue	1,823,398	2,330,354	2,594,534	3,177,249	3,106,887	4,971,074	(1,169,491)	2,449,267	2,988,076	1,405,513
Net (Expense)/Revenue										
Governmental Activities	(29,261,947)	(32,160,833)	(37,170,379)	(38,295,475)	(38,882,486)	(43,313,030)	(39,205,634)	(40,356,355)	(38,780,480)	(38,431,012)
Business-type Activities	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)
	(28,901,461)	(31,748,338)	(36,706,659)	(37,582,394)	(38,006,750)	(40,863,495)	(42,381,589)	(40,075,002)	(37,865,436)	(38,889,607)

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

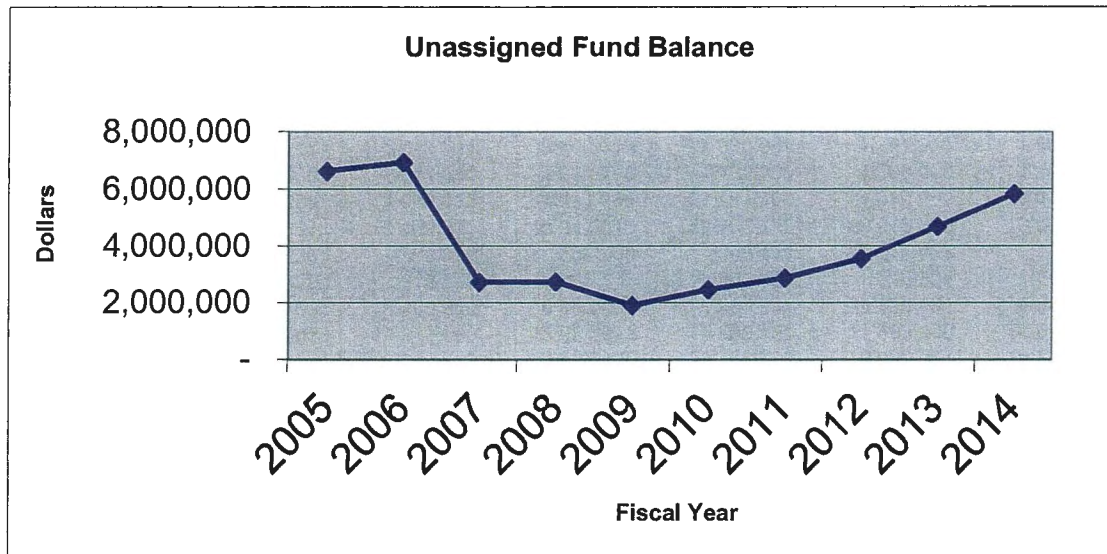
Years ended June 30,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Revenues and other Changes in Net Position										
Government Activities										
Property Taxes	\$ 15,862,182	\$ 16,500,112	\$ 17,775,491	\$ 19,369,182	\$ 21,320,919	\$ 23,245,019	\$ 23,892,084	\$ 23,932,023	\$ 24,106,972	\$ 24,718,235
Other Taxes	14,200,876	17,048,496	14,740,674	15,082,888	12,293,573	11,831,008	12,323,263	12,489,087	12,948,765	13,056,195
Operating Grants Unrestricted	1,814,313	1,889,377	1,838,418	1,912,848	2,253,325	2,131,782	2,131,782	2,486,371	2,656,463	2,677,520
Other	295,459	587,672	1,056,348	544,817	232,447	22,311	(60,536)	20,076	20,505	16,265
Net Transfers out	-	-	-	-	-	(1,765,031)	3,975,947	675,176	769,200	1,598,264
Total Government Activities/Primary Government	32,172,830	36,025,657	35,410,931	36,909,735	36,100,264	35,465,089	42,262,540	39,602,733	40,501,905	42,066,479
Change in Net Position										
Governmental Activities	2,910,883	3,864,824	(1,759,448)	(1,385,740)	(2,782,222)	(7,847,941)	3,056,906	(753,622)	1,721,425	3,635,467
Business-type Activities	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)	281,353	915,044	(458,595)
	\$ 3,271,369	\$ 4,277,319	\$ (1,295,728)	\$ (672,659)	\$ (1,906,486)	\$ (5,398,406)	\$ (119,049)	\$ (472,269)	\$ 2,636,469	\$ 3,176,872

* 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,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-Spendable	\$ 199,116	\$ 292,799	\$ 339,754	\$ 337,676	\$ 247,230	\$ 235,828	\$ 245,951	\$ 196,238	\$ 249,857	\$ 299,395
Committed	3,000,000	2,620,568	2,530,837							
Unassigned	6,610,103	6,912,734	2,700,375	2,721,888	1,895,700	2,448,436	2,865,037	3,542,706	4,676,874	5,822,858
Total General Fund	9,809,219	9,826,101	5,570,966	3,059,564	2,142,930	2,684,264	3,110,988	3,738,944	4,926,731	6,122,253
All Other Governmental Funds										
Non-Spendable										
Restricted	894,245	949,068	1,023,801	1,082,717	1,143,559	1,248,452	1,276,394	1,262,729	1,222,495	1,193,871
Committed	3,632,131	4,714,919	10,444,693	10,939,281	4,308,915	6,017,730	4,599,070	2,360,885	1,922,985	1,708,100
Assigned	639	5,460	2,734	(1,154)	92,630	84,962	83,595	93,166	614,898	607,011
Unassigned	-	-	-	-	-	-	-	(5,433)	(1,130)	(15,953)
	4,527,015	5,669,447	11,471,228	12,020,844	5,545,104	7,351,144	5,959,059	3,711,347	3,759,248	3,493,029
Total	\$ 14,336,234	\$ 15,495,548	\$ 17,042,194	\$ 15,080,408	\$ 7,688,034	\$ 10,035,408	\$ 9,070,047	\$ 7,450,291	\$ 8,685,979	\$ 9,615,282



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

Years ended June 30,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Property and Other Taxes	\$ 33,043,224	\$ 37,645,809	\$ 37,662,996	\$ 38,507,631	\$ 37,488,775	\$ 35,450,102	\$ 36,765,070	\$ 36,772,497	\$ 37,578,610	\$ 38,173,979
License and Permits	385,095	386,611	320,565	249,699	221,860	210,479	184,961	166,588	154,031	156,690
Intergovernmental Revenues	5,853,786	5,398,531	6,242,048	6,775,156	7,532,541	5,799,175	6,262,265	5,703,158	5,819,962	6,048,780
Charges for Services	1,123,854	1,094,080	1,314,655	1,191,743	885,550	768,966	722,778	793,343	862,590	798,694
Miscellaneous Revenues	976,634	1,076,445	1,626,755	1,189,469	888,268	855,322	738,248	663,647	1,357,301	754,707
Total Revenues	41,382,593	45,601,476	47,167,019	47,913,698	47,016,994	43,084,044	44,673,322	44,099,233	45,772,494	45,932,850
Expenditures										
General Government	4,108,895	4,999,470	5,365,478	5,681,450	5,428,556	5,060,521	4,726,364	5,440,074	5,132,124	5,131,536
Public Safety	9,681,586	10,912,304	11,359,999	12,621,617	12,593,790	11,989,750	11,884,025	12,262,522	13,258,479	13,906,231
Public Works	5,647,652	7,078,708	12,159,873	6,897,667	4,893,641	4,122,881	5,413,760	4,956,421	3,776,908	4,677,853
Health	645,477	688,233	818,872	907,222	902,434	840,934	540,151	452,838	452,838	452,838
Social Services	211,388	217,338	266,635	297,356	305,414	212,422	138,028	133,412	131,212	135,638
Primary Education	11,690,348	11,959,891	15,456,632	14,641,010	13,103,740	16,619,350	13,498,500	13,927,127	13,497,885	13,416,327
Secondary Education	1,640,487	1,250,027	1,645,222	1,671,394	1,441,101	1,915,590	1,458,291	1,480,604	1,481,864	3,012,118
Public Library	1,124,088	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000	1,111,050	1,109,175	1,114,000
Recreation and Parks	808,869	933,342	2,041,221	3,408,317	2,330,004	1,164,373	881,535	878,614	1,070,951	1,382,727
Arts	5,500	6,500	9,000	12,500	12,500	5,000	5,000	5,000	5,000	5,000
Conservation of Natural Resources	269,082	506,734	607,013	457,349	477,058	334,911	313,533	290,726	291,248	129,571
Housing Rehabilitation	60,905	77,468	106,465	100,751	105,283	33,457	11,725	-	6,000	6,000
Economic Development	786,232	1,661,733	2,992,539	3,538,531	2,652,025	2,138,818	1,825,055	1,317,532	1,349,254	446,998
Intergovernmental-Local	3,090	3,090	3,090	3,090	3,090	3,090	3,090	-	-	-
Historical	3,500	3,500	5,500	6,000	5,000	4,000	-	-	-	-
Contingency	223,287	143,914	60,942	28,074	27,837	46,407	52,253	40,863	193,950	26,837
Town Planning Grants	4,000	8,500	8,500	8,500	8,500	8,500	8,500	-	-	-
Capital Outlay	-	205,448	168,730	69,743	12,435	61,946	9,588	-	-	-
Miscellaneous	284,307	321,095	1,532,882	1,167,281	1,573,899	494,416	507,485	-	-	-
Debt Service										
Principal	2,207,931	1,686,230	2,268,181	2,185,576	2,459,259	7,342,721	6,235,600	3,081,118	2,558,000	2,399,000
Interest and Fiscal Charges	951,577	864,192	1,070,524	1,256,492	1,293,060	1,259,115	1,485,758	1,118,515	1,048,293	992,355
Total Expenditures	40,358,201	44,883,217	59,491,368	56,544,020	51,078,626	54,858,202	50,098,241	46,496,416	45,363,181	47,235,029
Excess of Revenues Over (Under) Expenditures	1,024,392	718,259	(12,324,349)	(8,630,322)	(4,061,632)	(11,774,158)	(5,424,919)	(2,397,183)	409,313	(1,302,179)

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

Years ended June 30,	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Other Financing Sources (Uses)										
Note Issued Chesapeake College \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520,000
Sale of Capital Assets	344,459	58,332	898,080	47,956	6,151	811	19,987	65,935	-	-
Bond Premium	-	-	84,086	1,636	-	-	-	-	-	-
Proceeds of Long Term Debt	-	-	12,475,000	6,600,000	-	16,042,529	3,736,000	-	-	-
Transfers In	1,359,121	4,027,508	7,251,218	3,522,357	801,776	7,435,261	935,463	-	-	-
Transfers Out	(1,029,580)	(3,725,795)	(6,882,753)	(3,500,045)	(4,059,491)	(9,346,919)	(265,570)	759,675	769,200	696,068
<i>Total Other Financing Sources (Uses)</i>	<u>674,000</u>	<u>360,045</u>	<u>13,825,631</u>	<u>6,671,904</u>	<u>(3,251,564)</u>	<u>14,131,682</u>	<u>4,425,880</u>	<u>825,610</u>	<u>769,200</u>	<u>2,216,068</u>
Net Change in Fund Balance	\$ 1,698,392	\$ 1,078,304	\$ 1,501,282	\$ (1,958,418)	\$ (7,313,196)	\$ 2,357,524	\$ (999,039)	\$ (1,571,573)	\$ 1,178,513	\$ 913,889
Debt Service as a Percentage of Non Capital Expenditures (1)	8.6%	6.3%	6.9%	7.1%	7.8%	16.3%	15.8%	9.4%	8.2%	7.9%

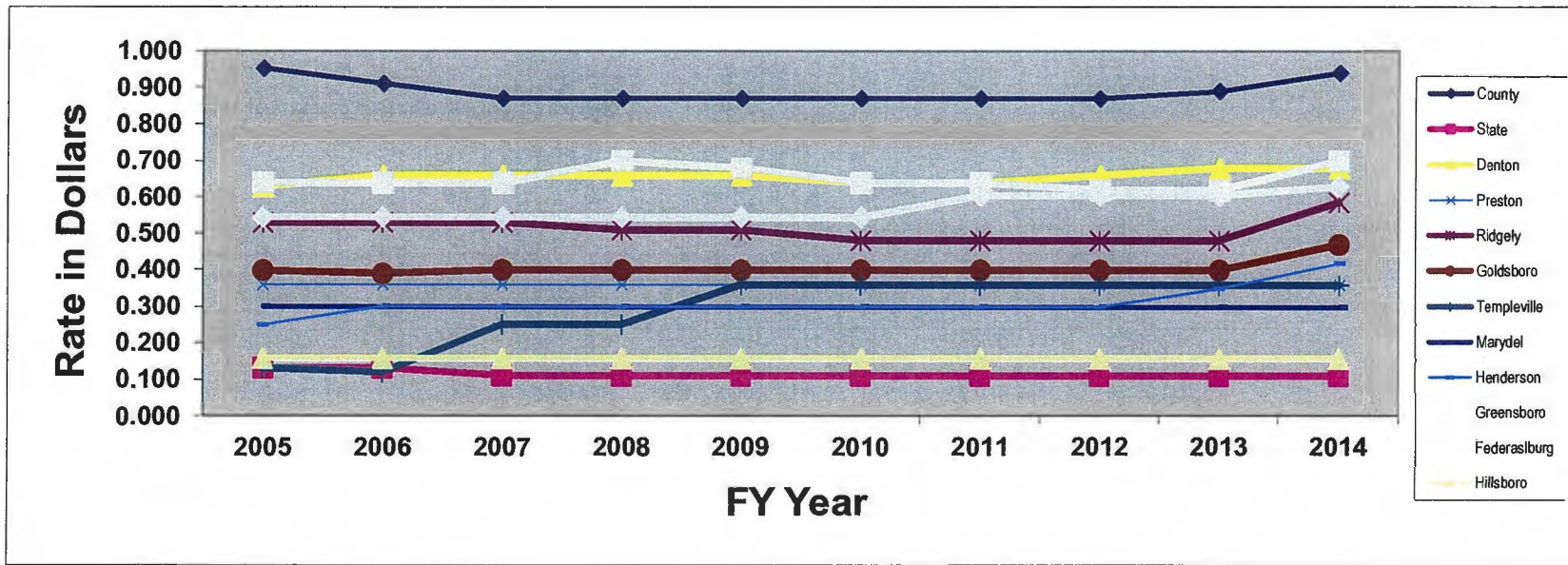
Notes
(1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance

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

Property Tax Restated to full Value

Fiscal Year Ending June 30	General Fund (1)	State of Maryland	Town of Denton	Town of Preston	Town of Ridgely	Town of Goldsboro	Town of Templeville	Town of Marydel	Town of Henderson	Town of Greensboro	Town of Federalsburg	Town of Hillsboro
2005	0.952	0.132	0.630	0.360	0.530	0.398	0.133	0.300	0.250	0.545	0.640	0.160
2006	0.910	0.132	0.660	0.360	0.530	0.390	0.122	0.300	0.300	0.545	0.640	0.160
2007	0.870	0.112	0.660	0.360	0.530	0.400	0.252	0.300	0.300	0.545	0.640	0.160
2008	0.870	0.112	0.660	0.360	0.510	0.400	0.252	0.300	0.300	0.545	0.700	0.160
2009	0.870	0.112	0.660	0.360	0.510	0.400	0.360	0.300	0.300	0.545	0.680	0.160
2010	0.870	0.112	0.640	0.360	0.481	0.400	0.360	0.300	0.300	0.545	0.640	0.160
2011	0.870	0.112	0.640	0.360	0.481	0.400	0.360	0.300	0.300	0.605	0.640	0.160
2012	0.870	0.112	0.660	0.360	0.481	0.400	0.360	0.300	0.300	0.605	0.620	0.160
2013	0.890	0.112	0.680	0.360	0.481	0.400	0.360	0.300	0.350	0.605	0.620	0.160
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

(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



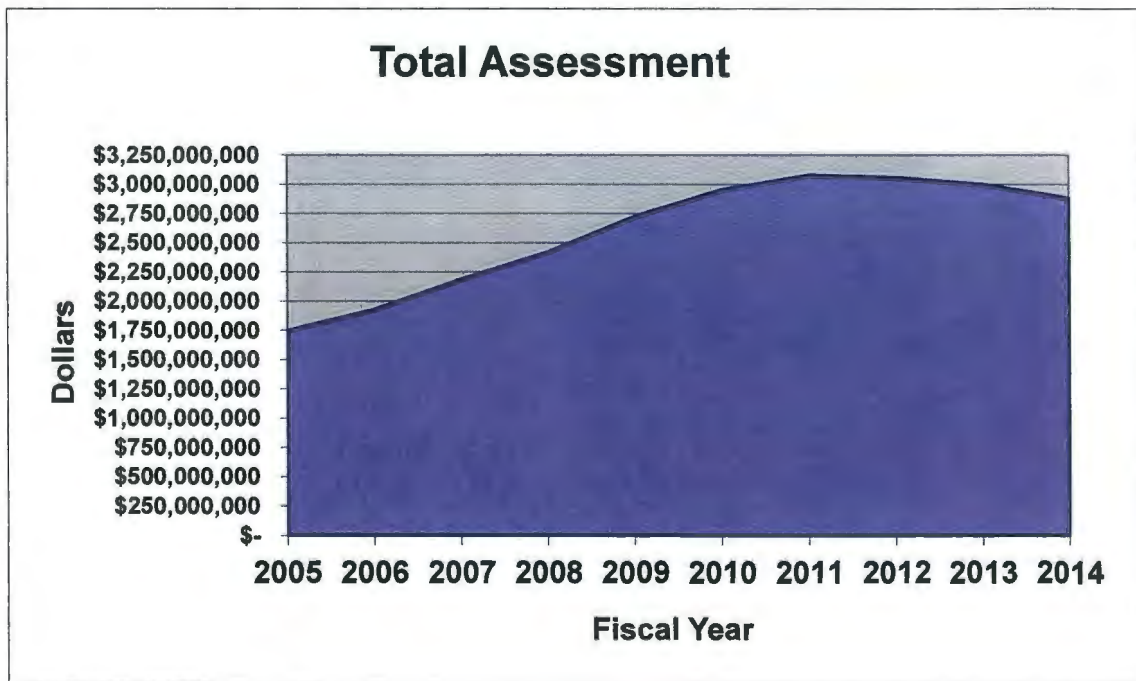
Caroline County, Maryland
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Schedule 6

Fiscal Year Ending June 30	Real Property Assessed Value	Exempt Property	Real Property Total Assessed Value	Total Direct Tax Rate(1)	Personal Prop Assessed Value(2)	Corp & Utility Assessed Value	Total Assessed Value
2005	\$ 1,507,546,709	\$ 161,741,759	\$ 1,669,288,468	0.952	\$ 2,139,710	\$ 75,918,580	\$ 1,747,346,758
2006	\$ 1,683,578,642	\$ 172,810,603	\$ 1,856,389,245	0.910	\$ 1,219,456	\$ 69,448,662	\$ 1,927,057,363
2007	\$ 1,937,403,404	\$ 185,818,909	\$ 2,123,222,313	0.870	\$ 593,030	\$ 63,878,104	\$ 2,187,693,447
2008	\$ 2,168,863,864	\$ 202,709,094	\$ 2,371,572,958	0.870	\$ -	\$ 49,645,980	\$ 2,421,218,938
2009	\$ 2,410,033,590	\$ 263,209,530	\$ 2,673,243,120	0.870	\$ -	\$ 52,761,220	\$ 2,726,004,340
2010	\$ 2,604,398,489	\$ 299,701,643	\$ 2,904,100,132	0.870	\$ -	\$ 52,024,290	\$ 2,956,124,422
2011	\$ 2,699,834,799	\$ 331,026,580	\$ 3,030,861,379	0.870	\$ -	\$ 50,250,650	\$ 3,081,112,029
2012	\$ 2,663,868,995	\$ 343,455,225	\$ 3,007,324,220	0.870	\$ -	\$ 52,455,540	\$ 3,059,779,760
2013	\$ 2,611,863,442	\$ 337,257,555	\$ 2,949,120,997	0.890	\$ -	\$ 54,345,320	\$ 3,003,466,317
2014	\$ 2,514,718,787	\$ 309,696,540	\$ 2,824,415,327	0.940	\$ -	\$ 59,311,970	\$ 2,883,727,297

Source: Maryland State Department of Assessments and Taxation.

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

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



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

Fiscal Year Ending June 30	Total Tax Levy	Current Year Taxes Collected in Year of Levy	% of Levy Collected During Year	Collected in Subsequent Years	Total Collections	% of Current Year Taxes Collected Current & Prior
2005	\$ 15,687,683	\$ 15,613,507	99.53%	\$ 57,038	\$ 15,670,545	99.9%
2006	\$ 16,343,864	\$ 16,265,635	99.52%	\$ 69,586	\$ 16,335,221	99.9%
2007	\$ 17,540,340	\$ 17,487,694	99.70%	\$ 25,551	\$ 17,513,245	99.8%
2008	\$ 19,128,522	\$ 19,093,410	99.82%	\$ 23,250	\$ 19,116,660	99.9%
2009	\$ 21,140,313	\$ 21,111,314	99.86%	\$ 20,282	\$ 21,131,596	100.0%
2010	\$ 22,864,872	\$ 22,818,426	99.80%	\$ 37,551	\$ 22,855,977	100.0%
2011	\$ 23,648,637	\$ 23,588,002	99.74%	\$ 46,065	\$ 23,634,067	99.9%
2012	\$ 23,790,344	\$ 23,729,788	99.75%	\$ 34,450	\$ 23,764,238	99.9%
2013	\$ 23,977,024	\$ 23,921,365	99.77%	\$ 17,465	\$ 23,938,830	99.8%
2014	\$ 24,557,950	\$ 24,469,016	99.64%	\$ -	\$ 24,469,016	99.6%

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, 2014
 Schedule 8

Tax Year		2003	2013	2003	2013	% of Total
Taxpayer	Type of Business	Assessed Valuation	Assessed Valuation	Tax	Tax	Tax Levy
Choptank Electric	Electric Power	\$ 13,660,570	\$ 27,512,460	\$ 325,122	\$ 630,434	0.95%
Delmarva Power and Light	Electric Power	\$ 15,937,100	\$ 25,256,740	\$ 379,303	\$ 591,995	0.88%
Verizon Maryland	Telephone utility	\$ 15,381,480	\$ 7,544,350	\$ 366,079	\$ 177,292	0.26%
Walmart	Retail Store	\$ -	\$ 15,630,300	\$ -	\$ 137,555	0.54%
Istar SCC Distribution	Cups and containers	\$ 6,733,070	\$ 15,100,733	\$ 66,775	\$ 131,376	0.52%
East Star, LLC	Excavating	\$ 3,685,490	\$ 8,175,133	\$ 35,748	\$ 76,743	0.28%
Burriss Foods, Inc	Transport of refrigerated food products	\$ 8,781,516	\$ 6,472,400	\$ 94,217	\$ 60,841	0.22%
H&M Bay, Inc	Refrigerated trucking	\$ 4,960,159	\$ 6,929,000	\$ 51,457	\$ 60,282	0.24%
Federalsburg Terminal	Trucking	\$ 5,484,333	\$ 5,690,367	\$ 45,630	\$ 49,506	0.20%
Provident State Bank	Banking Industry	\$ 1,180,963	\$ 5,394,800	\$ 10,564	\$ 48,638	0.19%

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

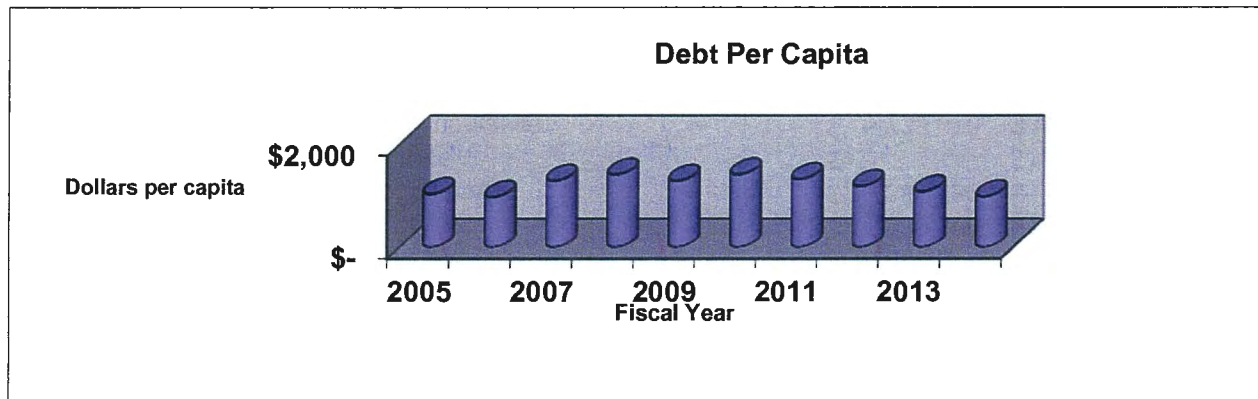


Caroline County, Maryland
Ratio of Outstanding Debt by Type
Last Ten Years
Schedule 9

Year June 30,	Governmental Activities							Business-type Activities	Primary Government TOTAL	Total Debt to Personal Income (1)	Total Debt Per Capita(1)
	General Obligation Bonds	CDA Town (2)	MILA Loans	State Loans	Capital Loans	DHCD Loans	Total	MEDCO Loan (2)			
2005	\$ 17,776,318	\$ 285,464	\$ 775,902	\$ 1,660,000	\$ 690,950	\$ 2,530,583	\$ 23,719,217	\$ 3,505,000	\$ 27,224,217	3.24%	\$ 1,031
2006	\$ 16,180,559	\$ 257,060	\$ 713,835	\$ 1,660,000	\$ 656,378	\$ 2,530,583	\$ 21,998,415	\$ 3,385,000	\$ 25,383,415	3.01%	\$ 972
2007	\$ 27,130,185	\$ 228,088	\$ -	\$ 1,660,000	\$ 620,629	\$ 2,530,583	\$ 32,169,485	\$ 3,260,000	\$ 35,429,485	3.94%	\$ 1,284
2008	\$ 30,577,071	\$ 195,626	\$ -	\$ 2,660,000	\$ 583,644	\$ 2,530,583	\$ 36,546,924	\$ 3,130,000	\$ 39,676,924	4.26%	\$ 1,402
2009	\$ 28,150,843	\$ 162,596	\$ -	\$ 2,660,000	\$ 541,431	\$ 2,530,583	\$ 34,045,453	\$ 2,990,000	\$ 37,035,453	3.84%	\$ 1,281
2010	\$ 36,455,718	\$ -	\$ -	\$ 3,217,529	\$ 497,927	\$ 2,530,583	\$ 42,701,757	\$ -	\$ 42,701,757	4.23%	\$ 1,405
2011	\$ 33,956,118	\$ -	\$ -	\$ 3,217,529	\$ 453,188	\$ 2,530,583	\$ 40,157,418	\$ -	\$ 40,157,418	3.98%	\$ 1,315
2012	\$ 30,875,000	\$ -	\$ -	\$ 3,057,529	\$ 407,157	\$ 2,530,583	\$ 36,870,269	\$ -	\$ 36,870,269	3.56%	\$ 1,179
2013	\$ 28,317,000	\$ -	\$ -	\$ 3,057,529	\$ 354,834	\$ 2,530,583	\$ 34,259,946	\$ -	\$ 34,259,946	3.25%	\$ 1,076
2014	\$ 25,918,000	\$ -	\$ -	\$ 3,057,529	\$ 1,821,219	\$ 2,530,583	\$ 33,327,331	\$ -	\$ 33,327,331	2.91%	\$ 980

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

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



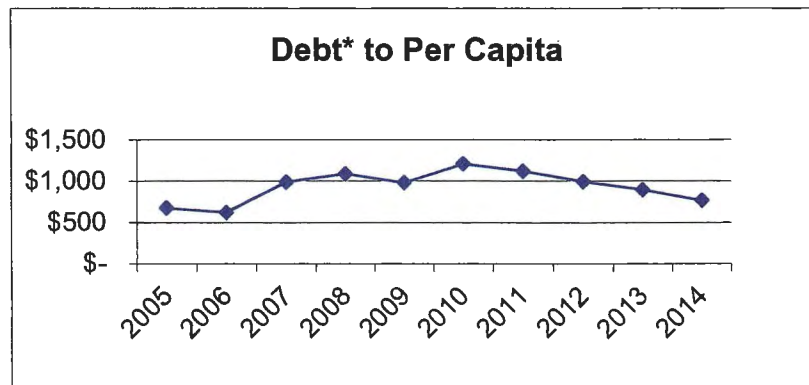
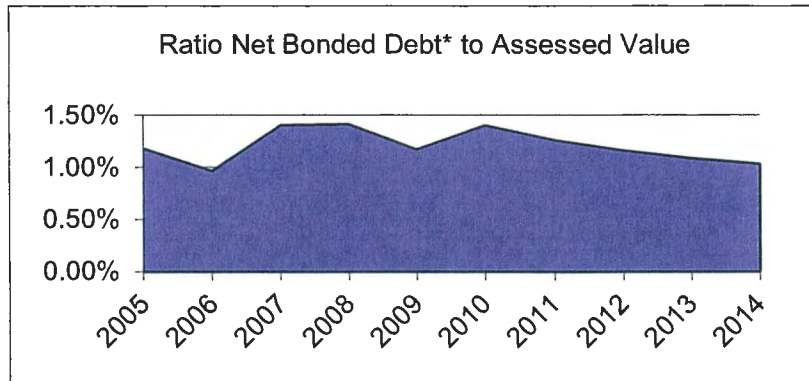
Caroline County, Maryland
Ratio of General Bonded Debt Outstanding
Last Ten Years
Schedule 10

Year June 30,	General <u>Bonded Debt</u>	(1) Assessed <u>Value</u>	(2) Per <u>Capita</u>	Ratio Net Bonded Debt* to <u>Assessed</u> <u>Value</u>	Debt* to Per <u>Capita</u>
2005	\$ 17,776,318	\$ 1,507,546,709	\$ 26,409	1.18%	\$ 673
2006	\$ 16,180,559	\$ 1,683,578,642	\$ 26,111	0.96%	\$ 620
2007	\$ 27,130,185	\$ 1,937,403,404	\$ 27,603	1.40%	\$ 983
2008	\$ 30,577,071	\$ 2,168,863,864	\$ 28,303	1.41%	\$ 1,080
2009	\$ 28,150,843	\$ 2,410,033,590	\$ 28,904	1.17%	\$ 974
2010	\$ 36,455,718	\$ 2,604,398,489	\$ 30,389	1.40%	\$ 1,200
2011	\$ 33,956,118	\$ 2,699,834,799	\$ 30,527	1.26%	\$ 1,112
2012	\$ 30,875,000	\$ 2,663,868,995	\$ 31,282	1.16%	\$ 987
2013	\$ 28,317,000	\$ 2,611,863,442	\$ 31,834	1.08%	\$ 890
2014	\$ 25,918,000	\$ 2,514,718,787	\$ 33,990	1.03%	\$ 763

* Net General Bonded Debt is total debt less CDA Town Loans and Mila Loans in years prior to 2010

(1) Assessed Value is from Schedule 6

(2) Per Capita is from Schedule 13

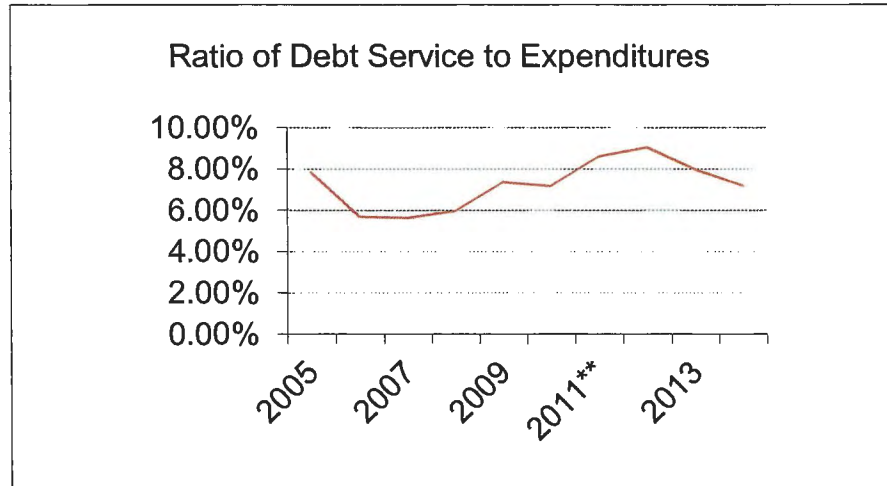


Caroline County, Maryland
Ratio of Annual Debt Service to Total Government Expenditures
Last Ten Years
Schedule 11

Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
2005	\$ 2,207,931	\$ 951,577	\$ 3,159,508	\$ 40,358,201	7.83%
2006	\$ 1,686,230	\$ 864,192	\$ 2,550,422	\$ 44,883,217	5.68%
2007	\$ 2,268,181	\$ 1,070,524	\$ 3,338,705	\$ 59,491,368	5.61%
2008	\$ 2,185,576	\$ 1,186,389	\$ 3,371,965	\$ 56,544,020	5.96%
2009	\$ 2,459,259	\$ 1,290,930	\$ 3,750,189	\$ 51,078,626	7.34%
2010*	\$ 2,307,129	\$ 1,259,115	\$ 3,566,244	\$ 49,822,610	7.16%
2011**	\$ 2,499,600	\$ 1,485,758	\$ 3,985,358	\$ 46,362,241	8.60%
2012	\$ 3,081,118	\$ 1,118,515	\$ 4,199,633	\$ 46,496,416	9.03%
2013	\$ 2,558,000	\$ 1,048,293	\$ 3,606,293	\$ 45,363,181	7.95%
2014	\$ 2,399,000	\$ 992,355	\$ 3,391,355	\$ 47,235,029	7.18%

*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, 2014
Schedule 12

Political Subdivision	Debt Outstanding	Percentage Applicable To County*	Amount Applicable To County
Caroline County Direct Debt	\$ 25,918,000	100.00%	\$ 25,918,000
	<u>25,918,000</u>		<u>25,918,000</u>
Caroline County Library	-	100.00%	-
Caroline County Board of Education	3,211,821	100.00%	3,211,821
Town of Denton	3,977,385	100.00%	3,977,385
Town of Federalsburg	1,438,430	100.00%	1,438,430
Town of Greensboro	445,746	100.00%	445,746
Town of Ridgely Indirect Debt	498,937	100.00%	498,937
	<u>9,572,319</u>		<u>9,572,319</u>
TOTAL	<u>\$ 35,490,319</u>		<u>\$ 35,490,319</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 2010

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

CAROLINE COUNTY , MARYLAND
Demographic Statistics
Last Ten 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)
2005	31,805	839,953	26,409	349	5,599	16,300	15,599	701	4.3%	37.0
2006	32,278	842,818	26,111	390	5,571	16,668	15,967	701	4.2%	37.0
2007	32,617	900,352	27,603	434	5,611	16,295	15,593	702	4.3%	37.5
2008	33,138	932,393	28,303	418	5,656	16,462	15,757	705	4.3%	36.6
2009	33,367	964,434	28,904	371	5,474	16,272	14,779	1493	9.2%	37.5
2010	33,217	1,009,420	30,389	373	5,551	16,436	14,890	1546	9.4%	36.6
2011	33,066	1,009,420	30,527	373	5,175	16,526	15,042	1484	9.0%	38.7
2012	33,072	1,034,572	31,282	364	5,226	16,693	15,265	1428	8.6%	38.7
2013	33,128	1,054,608	31,834	353	5,810	16,615	15,246	1369	8.2%	38.7
2014	33,733	1,146,599	33,990	362	5,636	17,121	15,928	1193	7.0%	38.7

Source:

(1) Maryland Department of Planning 2014

(2) Caroline County Public Schools-Total Enrollment PK-12 Fiscal Year 2013

(3) 2010 US Census and MD Dept of Planning Services Estimated
<http://business.maryland.gov/Documents/ResearchDocument/CarolineBef.pdf>

(4) Monthly Labor Review June 12 Maryland Department of
Labor, Licensing and Regulation. State of Maryland, civilian Labor Force
Employment and Unemployment by place of residence
<http://www.bea.gov/iTable/iTable.cfm>
<http://www.dlrr.state.md.us/lmi/>

(5) Caroline County Bearvacts 2011& <http://www.bea.gov/regional/downloadzip.cfm>

(6) http://www.mdp.state.md.us/msdc/School_Enrollment/Table2.pdf

(7) <http://www.dlrr.state.md.us/lmi/laus/caroline.shtml>

(8) <http://www.mdreportcard.org/Entity.aspx?K=05AAAA>

(9) <http://msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/012000/012611/unrestricted/20100487e.pdf>



Caroline County, Maryland
Major Employers FYE 6/30/2014
Schedule 14

Firm	Product/Service	Employment	Percent of Caroline County Employment
Caroline County Board of Education	Government	847	5.32%
Solo Cup	Cups and containers	564	3.54%
Benedictine School	Private School for exceptional children	405	2.54%
WalMart	Department Store/Groceries	288	1.81%
Caroline County	Government	240	1.51%
Choptank Transport	Refrigerated trucking	180	1.13%
H&M Bay	Refrigerated trucking	135	0.85%
Caroline Nursing Home	Nursing care	130	0.82%
Envoy Health Care	Medical Services	105	0.66%
Medifast-Jason Pharmaceuticals Inc	Food Diet Industry	100	0.63%

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 6/2004

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

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

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

<u>Year</u>	(1) <u>Bank Deposits</u> <u>(dollars in Millions)</u>	(2) <u>Avg Sale Price</u> <u>for a Single Family Home</u>	(3) <u>Total Assessed Property Value</u>
2004	336	\$ 197,171	\$ 1,680,357,312
2005	357	230,096	1,869,397,551
2006	383	258,464	2,140,112,498
2007	406	232,821	2,371,572,958
2008	409	166,815	2,673,243,120
2009	391	164,697	2,904,100,132
2010	396	159,950	3,030,861,379
2011	389	134,500	3,007,324,220
2012	376	165,931	2,949,120,997
2013	370	153,962	2,824,415,327

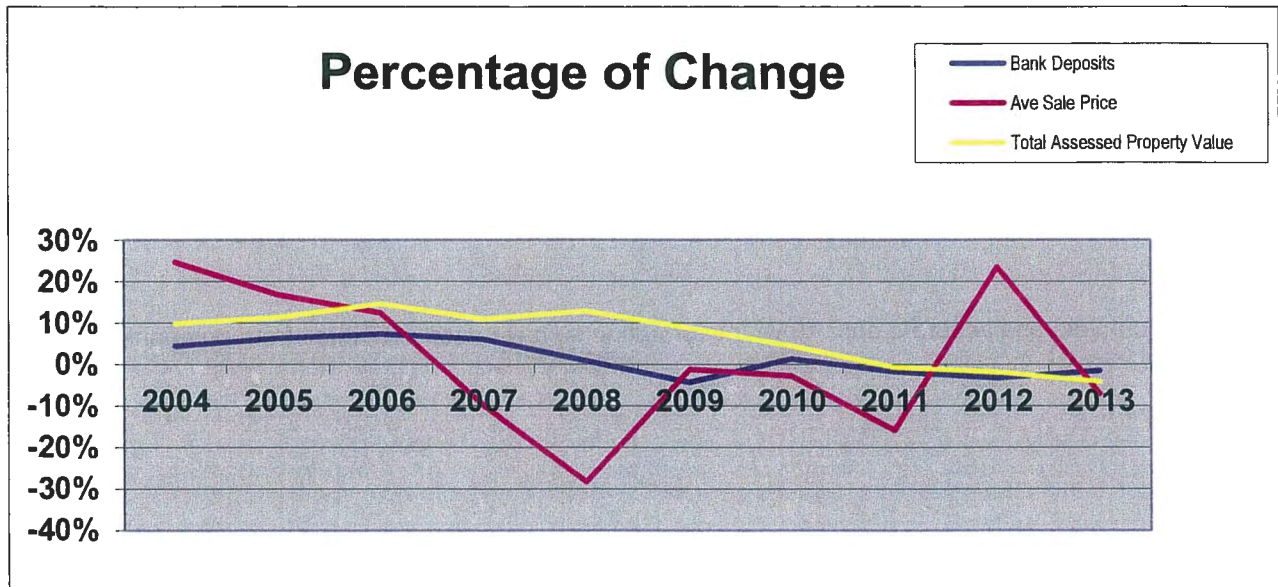
Source:

(1) Federal Deposit Insurance Corporation Web Site

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

(2) http://www.getsmarthcharts.com/statistics#caroline_county_md_county/reports

(3) Caroline County Tax Office-includes exempt property

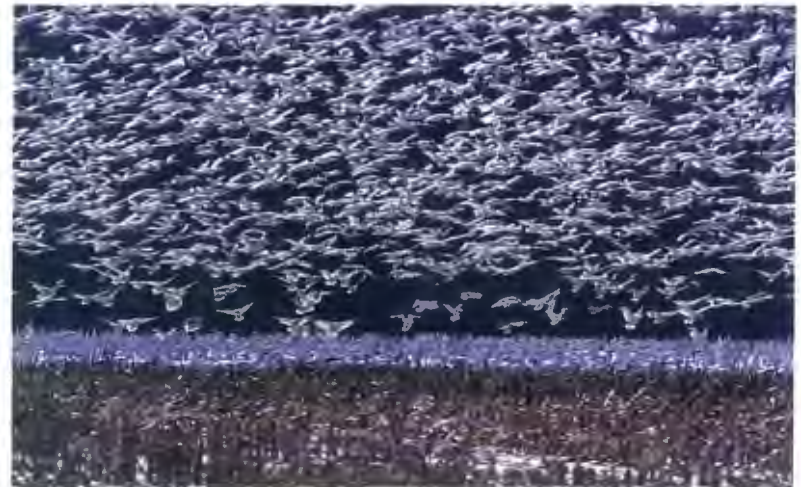


Caroline County, Maryland
Building Permits (Unincorporated Areas)
Calendar Years 2004 - 2013 (Unaudited)
Schedule 16

Types	2004		2005		2006		2007		2008		2009		2010	
	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	155	\$22,125,951	130	\$22,799,992	105	\$18,033,968	75	\$15,652,684	60	\$10,198,667	27	\$4,205,153	45	\$5,716,254
Accessory Dwellings	4	307,148	2	83,000	4	155,870	4	145,000	0		0		2	200,000
Accessory Structures	232	3,841,009	237	3,817,617	221	3,441,297	217	4,046,437	161	3,047,108	79	1,162,733	81	1,465,340
Additions	135	2,772,022	145	4,039,243	127	4,012,604	115	2,685,481	79	2,333,022	54	1,305,053	43	637,636
Comm/Industrial & Institutional	13	993,572	19	10,189,850	10	5,509,050	7	426,100	8	21,775,000	9	1,680,490	10	4,767,189
Mobile Homes	14	77,215	9	155,400	6	61,300	27	1,726,441	18	1,034,050	16	440,105	10	415,298
Poultry Structures/Ag	24	5,572,272	18	4,916,176	14	3,506,000	7	1,708,000	9	1,835,684	39	2,539,620	37	1,176,068
Change of Use/Home Occupation	12	77,490	15	139,735	12	119,750	4	2,150	3	62,000	3	2,750		
Shoreline Projects	6	62,750	5	48,000	10	224,725	9	266,600	11	127,900	5	136,000	6	103,500
Decks Pools Signs	1	6,000	0	0	0	0	0	0	1	3,000	5	67,000	0	0
Renovations	11	173,600	11	1,177,300	13	1,167,300	9	779,960	12	309,900	13	529,289	14	243,238
Totals	607	\$36,009,029	591	\$47,366,313	522	\$36,231,864	474	\$27,438,853	362	\$40,726,331	250	\$12,068,193	248	\$14,724,523

Source: Caroline County Dept of Planning

Types	2011		2012		2013	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	22	\$3,237,000	24	\$3,924,530	22	\$4,105,200
Accessory Dwellings	1	\$55,000	3	\$140,000	1	\$30,000
Accessory Structures	40	\$537,030	37	\$730,355	55	\$976,426
Additions	32	\$1,190,508	29	\$788,200	17	\$337,200
Comm/Industrial & Institutional	8	\$1,484,400	10	\$338,100	9	\$293,500
Mobile Homes	6	\$134,500	7	\$404,316	12	\$400,900
Poultry Structures/Ag	26	\$783,039	27	\$730,057	27	\$2,262,655
Change of Use/Home Occupation	6	\$300			2	\$27,000
Shoreline Projects	5	\$131,350	5	\$88,400	2	\$29,700
Foundation	36	\$336,002	30	\$314,924	31	\$456,929
Renovations	14	\$264,048	9	\$91,920	8	\$148,300
Misc					2	\$7,743
Totals	196	\$8,153,177	181	\$7,550,802	188	\$9,075,553



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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	114	120	131	131	129	130	122	131	130	126
Public Safety	26	28	30	33	33	33	31	31	31	31
Public Works	52	54	55	55	55	37	45	40	40	38
Leisure Services	7	9	9	9	11	10	10	9	9	9
Total	199	211	225	228	228	210	208	211	210	204

Source: Caroline County Human Resources

Operating Indicators by Function/Program
Last Ten Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government*										
Payroll Checks Processed	7,000	7,500	8,198	8,113	8,216	8,190	8,092	7,855	7,964	7,654
Number of Checks Written	6,986	7,028	7,106	7,200	6,304	5,664	5,007	4,351	4,359	4,320
Purchase orders Issued	3,894	4,370	5,169	5,200	2,472	1,869	1,964	1,779	1,584	1,820
Public Safety (calendar year)										
Sheriff Calls for Service(1)	10,666	12,072	12,897	13,200	12,199	12,199	10,446	12,692	12,011	NA
911 Calls(1)	15,437	15,796	15,882	16,000	17,008	16,488	16,314	18,288	18,911	19,185
Calls for Fire & EMS Dispatches(1)	8,474	8,474	8,752	9,000	8,793	8,459	5,457	5,548	5,306	5,623
Avg Detention Ctr Daily Population(2)	85	85	96	83	98	92	111	98	102	NA
Number of Police Stations	7	7	7	7	7	7	7	7	7	7
Uniform Police Officers(3)	NA	NA	NA	78	77	62	63	63	62	58
Number of Vehicles	NA	NA	NA	79	76	68	68	68	71	67
Number of Type 1 law violations (3)	NA	NA	NA	985	1,211	1,146	1,221	1,070	1,013	NA
Physical arrests (3)	NA	NA	NA	1,753	2,087	2,170	2,137	1,957	3,025	NA
Traffic violations (3)	NA	NA	NA	4,636	5,935	7,830	NA	5,900	7,721	NA
Public Works**										
Miles of Roads Serviced	40	28	62	34	0	0	0	38	38	38
Annualized Tonnage for Collection Sites	5,969	6,109	6,299	6,400	5,493	5,091	3,199	1,401	1,401	1,401
Parks and Rec***										
Number of Programs	276	267	300	310	312	313	313	313	313	313

* Finance Office Records

** Source Public Work Records

*** Source Parks & Recs Staff

(1) Source Emergency Management Logs

(2) Correction Annual Report

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

Caroline County Maryland
Capital Asset Statistics
Last Ten Years
Schedule 18

Function/Program	June 30,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Facilities											
Police Stations in County(1)		7	7	7	7	7	7	7	7	7	7
Fire & Rescue Stations(1)		8	8	8	8	8	8	8	8	8	8
Parks/Recreation Facilities(2)		5	5	5	5	5	5	5	5	5	5
Senior Centers(3)		2	2	2	2	2	2	2	2	2	2
Libraries(4)		3	3	3	3	3	3	3	3	3	3
Public Schools(5)											
Elementary		5	5	5	5	5	5	5	5	5	5
Middle Schools		2	2	2	2	2	2	2	2	2	2
High Schools		3	3	3	3	3	3	3	3	3	3
Department of Public Works(6)											
Miles of County Maintained Paved Rds		398.80	398.24	400.19	400.91	399.00	399.00	399.00	399.00	399.00	399.00
Vehicles in Roads Department		23	24	25	27	27	27	26	26	26	24
Caroline County Sheriff Department(7)											
Vehicles in Service		31	31	32	32	31	31	32	32	35	32

Sources

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



Caroline County, Maryland
 Miscellaneous Statistics
 June 30, 2014 (Unaudited)
Schedule 19

Date of Incorporation	1774	<u>Board of Elections</u> -Source Local Election Staff	
Form of Government	Home Rule	Registered voters at last general election	17,596
Area in Square Miles	321	Number of votes cast last general election	13,286
		Percentage of registered voters voting	75.50%
<u>Population(1)</u>		<u>Police Protection</u> - Source Sheriff Budget Document	
1970	19,781	Uniform Police Officers	27
1980	23,143	Number of Vehicles	32
1990	27,035	Number of Offenses-Sheriff Dept (2)	1,013
2000	29,772	Traffic violations (2)	7,721
2010	33,066		
<u>Employees</u> -Source Human Resources Records		<u>Detention Center</u> -Source Annual Correction Report	
Exempt	38	Detention Center Officers	29
Full time	178	Average Daily Population (2)	111
Part time (FTE)	20	Average Daily Work Release (2)	2
Total	<u>236</u>	<u>Fire Protection</u> -Source Emergency Management	
<u>County Maintained Roads</u> -Source Public Works Records		Number of Volunteer Stations	8
Paved	399	Number of Volunteer Members	464
Unpaved	76	Equipment	
Total	<u>475</u>	Engines	18
<u>Libraries</u> -Source Library Staff		Tankers	8
Number of Libraries	3	Aerial Units	2
<u>Education (Public)</u> -Source BOE Admin Staff		Rescue Units	6
Number of Schools		Brush Units	10
High Schools	3	Air Units (MD State Police)	8
Middle Schools	2	Miscellaneous Utility Units	6
Elementary Schools	5	Ambulance/Medic Units	18
Number of Personnel		Boat dive units	3
Teachers	449	Command Vehicles	7
Administrators	47	Canteen	1
Support	351	Calls for Service- Fire/Rescue	1,012
Other	0	Calls for Emergency Medical	4,611
Number of students	5636	<u>County Owned Recreation Facilities</u> -Source Pks & Rec	
(1) 2010 Census		Parks	9
(2) Caroline County Budget Document		Parks Acreage	275
		Public Landings	4
		Open Space Acreage Actively Maintained	92
		Quantity of Public Boat Ramps	4
		Special Use Areas and Facilities	5
		School/Recreation Park Facilities	4
		Acreage under Development for Public Use	9
		Protected Park land for Future Development	141