

# THE COUNTY COMMISSIONERS OF CAROLINE COUNTY



## CAROLINE COUNTY, MARYLAND

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### COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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

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Report on internal control over financial reporting and on compliance  
and other matters based on an audit of financial statements  
performed in accordance with Government Auditing Standards

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# INTRODUCTORY SECTION

# COUNTY COMMISSIONERS of CAROLINE COUNTY, MARYLAND

LARRY C. PORTER  
VICE PRESIDENT

JEFFERSON L. GHRIST  
PRESIDENT

WILBUR LEVENGOOD JR.  
ROADS BOARD CHAIR

SARA B. VISINTAINER  
EXECUTIVE ASSISTANT

KEN DECKER  
COUNTY ADMINISTRATOR

ERNEST A. CROFOOT  
COUNTY ATTORNEY

November 9, 2011

## **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, 2011*, 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 management of local government entities is 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 Murphy & Murphy, CPA, LLC, independent Certified Public Accountants. The independent audit involved examining evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an *unqualified opinion that*

*the financial statements for Caroline County Government for the fiscal year ended June 30, 2011, are presented fairly and in conformity with GAAP.* 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.

GAAP requires that management 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 Article 25B 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.

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, and land preservation efforts are well under way to preserve the land-based resources in 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 serves a population of 33,066 (2010 Census) with a full range of governmental services including public safety (police, corrections, emergency medical services, emergency management/911, and volunteer fire protection), construction and maintenance of roads, solid waste collection sites, health and social services, culture/recreation, public education, public improvements, planning and zoning and general administrative services. 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. By March, the County Commissioners—acting as the County Board of Estimates—prepare revenue estimates for the coming fiscal year. All departments and agencies of the County are required to submit a budget allocation request to the Office of Finance by April of each year.

In practice, the budget process starts earlier. The Office of Finance provides routine reporting of revenues and expenditures throughout the fiscal year. This information provides ongoing feedback and direction on the adopted budget. 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. The County Commissioners are directly involved in providing guidance with regard to policy objectives and priorities. The budget building process is open, transparent, iterative and team-oriented.

Two advertised public budget hearings are held. One public hearing is held in April to hear budget allocation requests, and a final public hearing is held in June on the proposed operating budget, capital program, and, as required by state law, on the proposed constant yield property tax rate.

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. A flow chart of the budget process and calendar is included on page 10.

## **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 has been directly impacted by the prolonged downturn in the regional and national economies. While the County remains a highly desirable place to live and work, the collapse of the housing market, high unemployment and weak consumer demand have dampened local business activity.

In Maryland, residential home prices are down about 30 percent from the peak in 2006. The drop in Caroline County is likely several points smaller. While the existing housing stock has become much more affordable (particularly with favorable interest rates), the available inventory still exceeds the number of qualified buyers. Foreclosures and distressed sales continue to put downward pressure on the market.

Because the County relies on property taxes as a significant source of income, the decline in housing prices has reduced revenues. Fortunately, the Homestead Tax Credit provision that capped annual increases in residential property assessments has reduced the overall impact.

Unemployment in Caroline County is just over nine percent, near the national average. The County relies on income taxes; therefore, continued high unemployment and underemployment has led to a decline in revenue.

The County's employment base includes agriculture, manufacturing, construction, transportation, government, and services sectors. Many 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 downturn in the economy. Future growth hinges on the regional economy and factors such as fuel prices that influence commuting patterns.

While the County's agrarian economy has been seen as a disadvantage by some, the high level of federal subsidy in this sector has made local agriculture less susceptible to economic downturns. With this reliance comes a level of risk, as national leaders may seek to reduce the federal deficit. The County has long prioritized diversity in economic development. Progress in attracting "job rich" commercial and industrial development to the area has been limited. The County continues to actively market vacant commercial and industrial property. The decision of Wal-Mart to locate a major store in the Denton area is generally seen as a positive indicator.

### **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 Commissioners annually in February. 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 three years ago, the County greatly reduced capital spending as reflected in the approved budgets. The Caroline 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.

Caroline County has an adopted policy to maintain a general (undesignated) 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, 2011, unreserved fund balance exceeded 5% of budgeted expenditures.

The most significant challenge to long-term budgetary planning is the uncertainty at the state and national levels. During the 2011 Maryland General Assembly session, there were a number of bills discussed that might have profound effects on the County's budget, particularly the proposed shift in financial responsibility for teacher pensions from the State of Maryland to the counties. The Legislature also considered a limit on residential development using septic systems. With the Legislature's failure to address a one billion dollar structural deficit, the management of Caroline County anticipates continued initiatives intended to shift costs from state to local governments and dim prospects that historical revenue streams like Highway User Revenues will be restored.

Another challenge is the continued stream of unfunded mandates. The most notable is the vast environmental initiative including Watershed Implementation Plans (WIPs) and Total Maximum Daily Loads (TMDLs). These highly technical requirements are evolving into specific local mandates which may require substantial new expenditures, particularly in the area of stormwater management. No funding mechanism has been identified to support these mandates.

### **Local Fiscal Philosophy**

In the midst of a very difficult economic and regulatory environment, the Caroline County Commissioners have established and maintained a philosophy of fiscal conservatism. The Commissioners remain staunchly opposed to new taxes; however, they are willing to impose user fees on certain services provided to citizens. This includes the hotly-debated permit requirement to use the County's drop-off sites for solid waste. While the \$100 permit will not generate sufficient revenue to cover operating costs of the transfer stations, the approach has lowered the net loss and signaled a willingness to make difficult financial decisions in the face of public outcry.

The Commissioners are strongly supportive of increased efficiency in service delivery. County government has continued to provide a high level of service despite reductions in funding and staff. The Commissioners have imposed numerous austerity measures including incentives for early retirement, not filling/eliminating vacant positions, shifting some measure of benefit costs to employees, freezing pay increases and deferring capital and noncapital purchases. The Commissioners fully appreciate the gravity of the County's financial situation and are strongly committed to fiscally responsible governance.

## 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 seventh 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 eight 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.

*Aut viam inveniam aut faciam.*

Respectfully submitted,

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

Ken Decker  
Caroline County Administrator

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

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**Caroline County, Maryland  
Governmental Organization  
Certain Elected and Appointed Officials  
As of June 30, 2011**

**Certain Elected Officials**

County Commissioners	Jefferson L. Ghrist, President Larry C. Porter, Vice President Wilbur Levengood, Jr., Member
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**Certain Appointed Officials**

Acting County Administrator	Sara Visintainer
Finance Officer	Margaret C. Roe
Executive Assistant to the County Commissioners	Sara Visintainer
County Attorney	Ernest A. Crofoot
County Comptroller	Catherine P. Moore
Director of Planning & Codes	Katheleen Freeman
Director of Public Works	Harry Cole

**Independent Auditor**

Murphy & Murphy CPA, LLC  
Certified Public Accountants  
Clinton, Maryland

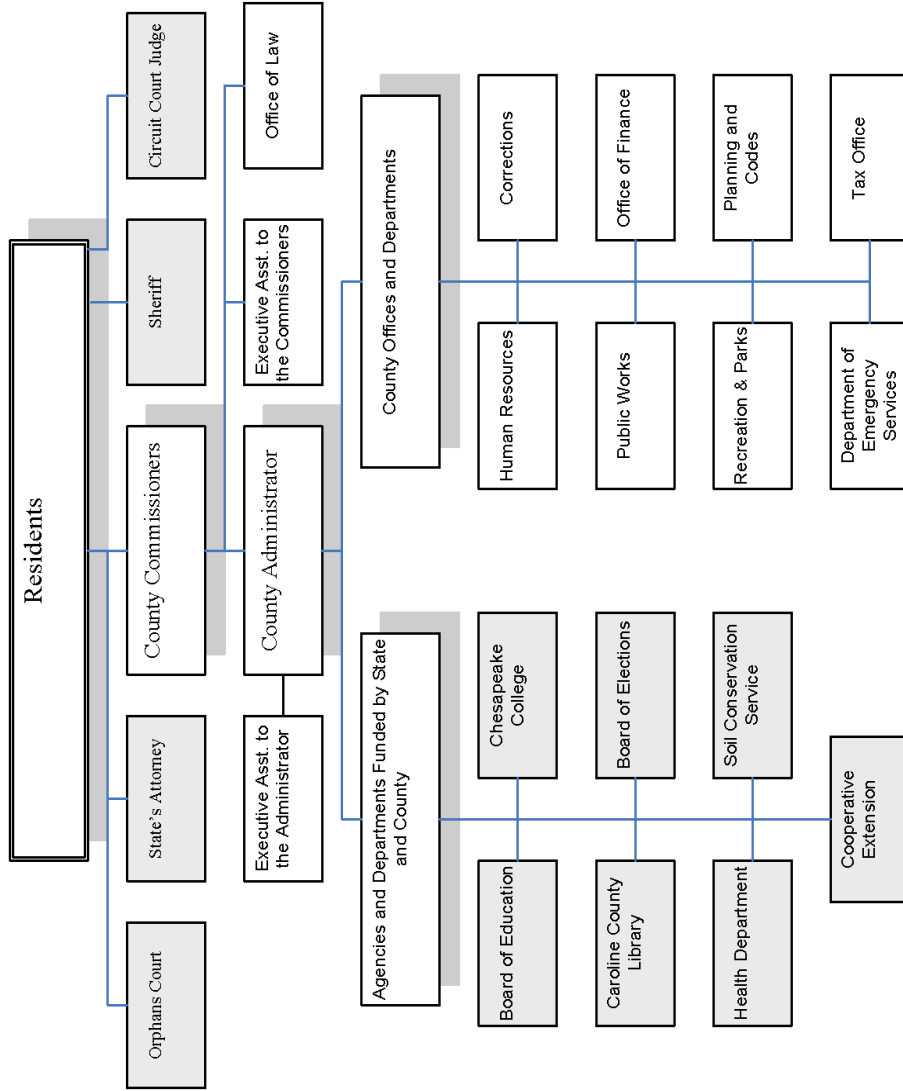
**Bond Counsel**

Funk and Bolton, P.A.  
Baltimore, Maryland

**Financial Advisor**

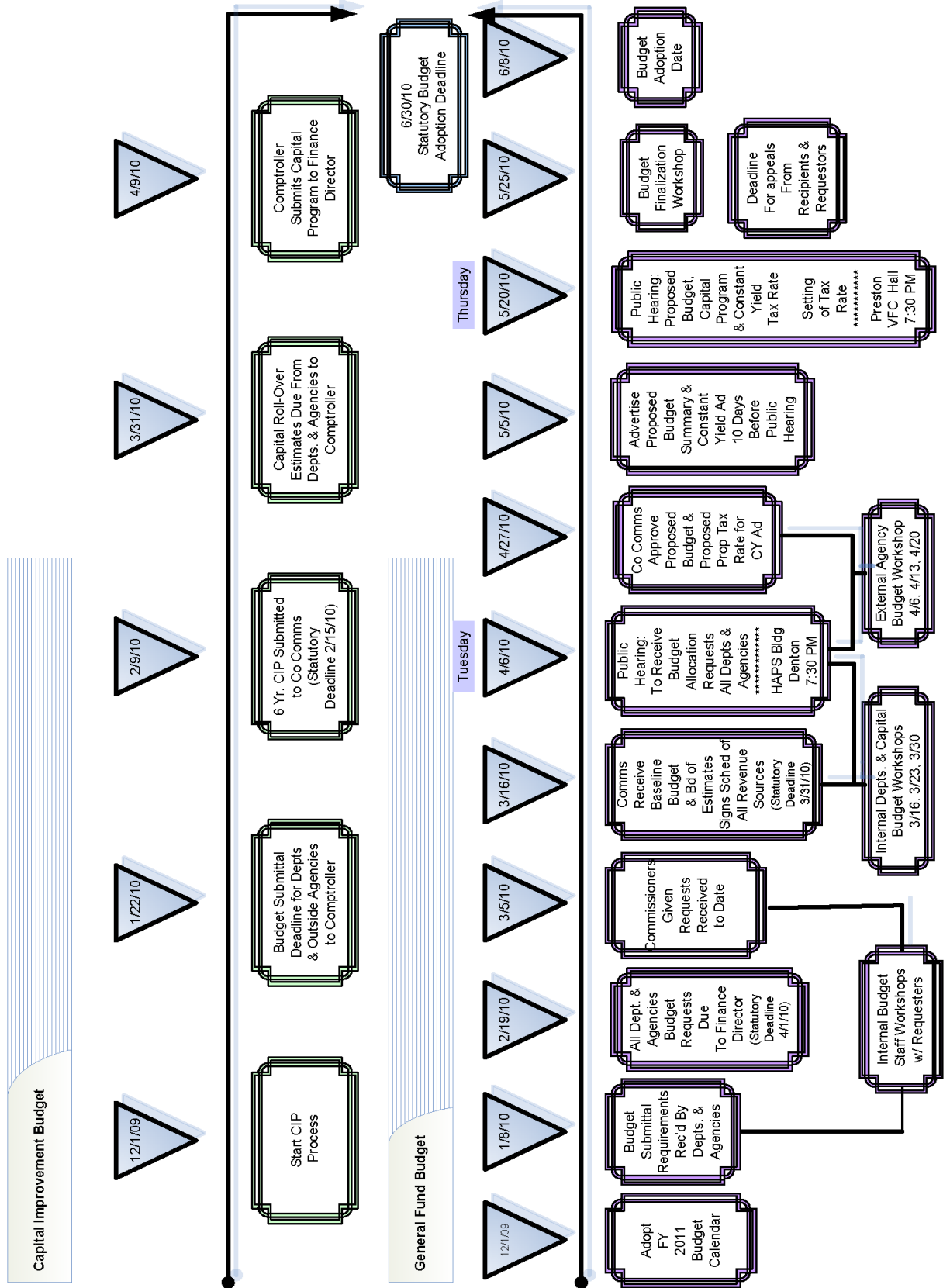
Davenport & Company LLC  
Towson, Maryland

# 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 2011 BUDGET CALENDAR CAROLINE COUNTY, MARYLAND





# FINANCIAL SECTION



**Murphy & Murphy, CPA, LLC**  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**

The County Commissioners of  
Caroline County  
Denton, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Caroline County (the County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Caroline County or Dayspring Townhomes, which collectively represent 56 percent of the assets and 60 percent of the revenues of the total reporting entity. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Board of Education of Caroline County and Dayspring Townhomes, are based solely on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, 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 fiduciary fund activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2011 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of funding progress and schedule of employer contributions on pages 14-28 and 84-91, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules contained on pages 108-114, informational schedules on pages 115 and 116, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedules on pages 108-116 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Murphy & Murphy, CPA, LLC

La Plata, Maryland  
November 9, 2011

## Management's Discussion and Analysis

### Executive Summary

*"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 financial condition of Caroline County government is slowly deteriorating. In FY 11, the County endured ongoing cuts in state funding to local governments. The national economic downturn also contributed towards lower property and income tax levels. In a continuation of a three-year policy, the County made minimal capital investments and deferred programmed maintenance on roads, vehicles and buildings.

In an effort to contain operating expenses, County employees were not given any pay increases in FY 11. This marks the third year of the general pay freeze. Employees also were required to bear a larger share of the cost of health insurance. An early retirement incentive plan was offered to 31 employees and 13 accepted. Most vacant positions were not filled. There were no furloughs or layoffs.

On the revenue side, the property tax rate was not changed. No new debt was issued. The County refinanced \$3.7 million of bonds to take advantage of favorable interest rates. The total amount of debt carried by the County reduced from nearly \$37 million to just over \$34 million during the fiscal year.

Caroline County maintained a reserve balance of over five percent of total annual expenditures—a "rainy day" fund intended to provide funds in the event of an emergency or natural disaster. Due to the practice of aggressively projecting expenses and conservatively projecting revenues, the reserve balance increased slightly.

The County continued its strong support of allied agencies. This includes "maintenance of effort" funding for the local Board of Education. The County believes the allied agencies are well managed and prudent with regard to fiscal management. The financial environment is highly unstable for local governments in Maryland. The State faces a one billion dollar deficit in FY 12/13. One recurrent idea proposed by the Legislature is shifting the fiscal responsibility for teacher pensions to the counties. This would require a fundamental restructuring of the County's budget. In FY 12, the County will begin providing the bulk of financial support for the local operation of Maryland State Department of Assessments and Taxation. Management anticipates additional cost-shifting until the State resolves its financial situation.

Despite the adverse fiscal situation, the State continues to press unfunded mandates including the vast Watershed Implementation Plan (WIP) initiative. This environmental effort may represent millions of dollars of new expenditures. The State also is actively considering legislation that may greatly diminish the development potential of rural counties like Caroline.

The economy in the coming fiscal year is difficult to predict. The unemployment rate for the County remains above nine percent. The local housing market is extremely weak with foreclosures and short sales adding to downward pressure on prices. This lowers not only property tax revenues, but also recordation fees and transfer taxes. On a positive note, the agriculture sector—the County’s primary economic base—remains strong. The County also has small but resilient commercial and industrial sectors.

The most significant problem facing the County is not the overall economic climate, but the cumulative cost of deferred maintenance. The decision to forego capital spending and programmed maintenance has created short term savings—and has led to deteriorating road conditions, an aging fleet of vehicles and buildings falling into increasing disrepair.

To continue this policy simply is not sustainable in the long run. To remedy the situation will require 1) new revenues; and/or 2) elimination of programs and services. This reality is recognized by both the County Commissioners and the management. Despite the picture painted by this summary, the leadership of Caroline County remains optimistic and confident that local government will continue providing a high level of core services at the lowest possible cost to taxpayers.

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, 2011. Descriptions in this section, along with the financial statements and notes and the letter of transmittal provide readers with both broad and detailed information.

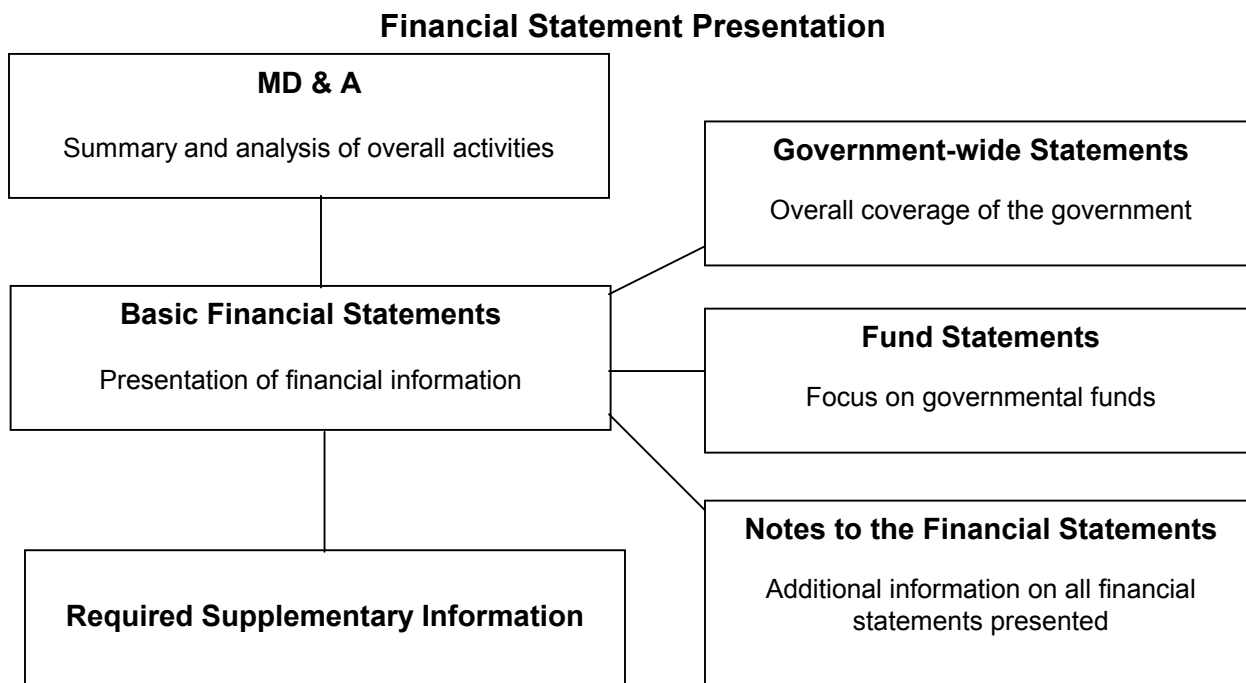
This year is the ninth year that the Governmental Accounting Standards Board (GASB) Statement No. 34 has been applied in the preparation of the financial statements of Caroline County Government. Significant adjustments have been made to the structure of financial statements during these years. Because of these changes, comparative data is not entirely relevant in regard to the period prior to 2003. The nine years under the GASB model offer suitable and meaningful comparative data.

### **Financial Highlights**

- Total fund balance for the General Fund was \$3,110,988 at the end of FY 2011, June 30, 2011.
- The assets of Caroline County exceeded liabilities at the close of the current fiscal year by \$ 31,071,208 (net assets). Of total net assets, \$6,847,910 (unrestricted net assets) may be used to meet the County's ongoing obligations to its citizens and creditors.
- The primary government's total net assets decreased by \$119,049 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, 2011, the County's governmental funds reported combined fund balances of \$9.1 million, a decrease of \$.9 million from the prior year. Approximately \$2.9 million is available to meet the County's current and future needs (unassigned fund balance). Approximately \$6.2 million is reserved. None of the reserved fund balance is budgeted for use in the FY 2012 budget.
- Unassigned fund balance for the General Fund was \$2,865,037 as of June 30, 2011.
- Long-term liabilities include approximately \$33.9 million in bonds payable, approximately \$7.8 million in loans and notes payable, and landfill closure costs of approximately \$2.3 million.
- Caroline County issued \$3.7 million in new debt and refunded \$3.6 million of debt in FY 2011.

## Overview of the Financial Statements

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



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

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

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. 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 assets during the most recent fiscal year. Changes in net assets 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 (governmental

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 on pages 29-31 of this report.

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

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

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

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

Caroline County Government maintains twenty-four individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Improvements Fund, Capital Reserve Fund, and the Special Grants Fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 32-35 of this report.

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 charges for services, 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 and Public Works funds are combined. The basic proprietary fund financial statements can be found on pages 37-39 of this report.

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 – pension and employee benefit trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any private-purpose or investment trust funds. The County maintains ten agency funds: Town Property Tax Fund, State Property Tax Fund, Department of Motor Vehicle Tag Sales Fund, Tax Proceeds Fund, Public Drainage Association Fund, Inmate Fund, Confiscated Properties Fund, Home Builders Guaranty Fund, Hotel Rental Tax Fund and the Bay Restoration Fund. The County Employees' Pension Plan, Other Postemployment Benefit Trust, Fireman’s Association Fund and the Retiree Health Care Fund are reported as pension and employee benefit trusts by the County. The fiduciary fund financial statements can be found on pages 40-41 of this report.

**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 on pages 44-83 of this report.

**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 benefits to its employees. These reports are located immediately following the notes to the financial statements and can be found on pages 84-91 of this report.

## **Government-wide Financial Analysis**

This is the ninth 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 assets is as follows:***

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16,552,149	\$ 17,618,172	\$ 931,451	\$ 835,022	\$ 17,483,600	\$ 18,453,194
Capital assets, net of depreciation	<u>59,571,383</u>	<u>58,405,552</u>	<u>335,514</u>	<u>3,633,900</u>	<u>59,906,897</u>	<u>62,039,452</u>
Total assets	<u>76,123,532</u>	<u>76,023,724</u>	<u>1,266,965</u>	<u>4,468,922</u>	<u>77,390,497</u>	<u>80,492,646</u>
Noncurrent liabilities	44,083,544	47,284,144	-	-	44,083,544	47,284,144
Other liabilities	<u>1,638,647</u>	<u>1,395,145</u>	<u>597,098</u>	<u>623,100</u>	<u>2,235,745</u>	<u>2,018,245</u>
Total liabilities	<u>45,722,191</u>	<u>48,679,289</u>	<u>597,098</u>	<u>623,100</u>	<u>46,319,289</u>	<u>49,302,389</u>
Net assets:						
Invested in capital assets, net of related debt	22,611,390	20,726,884	335,514	3,633,900	22,946,904	24,360,784
Restricted	1,276,394	6,651,513	-	-	1,276,394	6,651,513
Unrestricted	<u>6,513,557</u>	<u>(33,962)</u>	<u>334,353</u>	<u>211,922</u>	<u>6,847,910</u>	<u>177,960</u>
Total net assets	<u>\$ 30,401,341</u>	<u>\$ 27,344,435</u>	<u>\$ 669,867</u>	<u>\$ 3,845,822</u>	<u>\$ 31,071,208</u>	<u>\$ 31,190,257</u>

Net assets may serve over time as a useful indicator of a government's financial position. In Caroline County, assets exceeded liabilities by approximately \$31 million at the close of the most recent fiscal year, which is a decrease of \$0.1 million from the previous year.

By far, the largest portion of Caroline County's net assets, approximately \$22.9 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; so these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

An additional \$1.3 million of the County's net assets are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets of \$6.8 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 assets for the government.

## Changes in Net Assets

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,770,873	\$ 1,813,996	\$ 2,220,506	\$ 2,524,638	\$ 3,991,379	\$ 4,338,634
Operating grants	3,630,075	2,981,942	585,950	681,405	4,216,025	3,663,347
Capital grants	890,235	951,337	0	0	890,235	951,337
<b>General revenues:</b>						
Property taxes	23,892,084	23,245,019	0	0	23,892,084	23,245,019
Other taxes	12,323,263	11,831,008	0	0	12,323,263	11,831,008
Operating grants (Unrestricted)	2,131,782	2,131,782	0	0	2,131,782	2,131,782
Other	(60,536)	22,311	0	0	(60,536)	22,311
<b>Total Revenues</b>	<u>44,577,776</u>	<u>42,977,395</u>	<u>2,806,456</u>	<u>3,206,043</u>	<u>47,384,232</u>	<u>46,183,438</u>
<b>Program Expenses:</b>						
General Government	5,628,953	5,693,667	0	0	5,628,953	5,693,667
Public Safety – Sheriff	3,210,003	3,135,167	0	0	3,210,003	3,135,167
Public Safety – Fire Dept.	1,305,500	1,419,371	0	0	1,305,500	1,419,371
Public Safety – Emergency Serv.	4,860,287	4,775,513	0	0	4,860,287	4,775,513
Public Safety – Corrections	3,368,108	3,174,287	0	0	3,368,108	3,174,287
Public Safety – Animal Control	275,370	255,222	0	0	275,370	255,222
Public Safety – Liquor Licensing	11,930	15,641	0	0	11,930	15,641
Public Works	4,908,094	5,277,671	0	0	4,908,094	5,277,671
Health	621,859	962,574	0	0	621,859	962,574
Social Services	1,267,129	1,141,037	0	0	1,267,129	1,141,037
Primary Education	13,498,500	16,619,350	0	0	13,498,500	16,619,350
Secondary Education	1,413,551	1,872,085	0	0	1,413,551	1,872,085
Recreation and Culture	1,153,486	1,203,622	0	0	1,153,486	1,203,622
Library	1,100,000	1,200,000	0	0	1,100,000	1,200,000
Conservation of Natural Res.	765,874	477,288	0	0	765,874	477,288
Economic Development	357,460	311,172	0	0	357,460	311,172
Public Housing	315,255	483,684	0	0	315,255	483,684
Interest On Long-Term Debt	1,435,458	1,042,954	0	147,446	1,435,458	1,190,400
Other	0	0	2,006,464	2,374,093	2,006,464	2,374,093
<b>Total Expenses</b>	<u>45,496,817</u>	<u>49,060,305</u>	<u>2,006,464</u>	<u>2,521,539</u>	<u>47,503,281</u>	<u>51,581,844</u>
Excess (Deficiency) before transfers	(919,041)	(6,082,910)	799,992	684,504	(119,049)	(5,398,406)
Net Transfers in (out)	3,975,947	(1,765,031)	(3,975,947)	1,765,031	0	0
Change in Net Assets	3,056,906	(7,847,941)	(3,175,955)	2,449,535	(119,409)	(5,398,406)
Net Assets – Beginning of Year	27,344,435	35,192,376	3,845,822	1,396,287	31,190,257	36,588,663
<b>Net Assets – Ending</b>	<u>\$30,401,341</u>	<u>\$27,344,435</u>	<u>\$ 669,867</u>	<u>\$ 3,845,822</u>	<u>\$31,071,208</u>	<u>\$31,190,257</u>

The increase in net assets of \$3,056,906 for governmental activities was largely caused by the transfer of the Health and Public Services Building from an enterprise fund to the General Fund. Business-type activities showed a decrease in net assets of \$3,175,955.

**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 \$.6 million during FY 2011. This increase is less than the previous year's \$1.9 million increase. The assessable base increased again this year, primarily due to continued increased property values of existing properties in the middle 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 continued into FY 2011. FY 2011 revenue remained relatively strong but unemployment and a declining real estate market have begun to erode revenues. Property taxes remained high despite the declining real estate market because property assessments remain intact. The last section of the County will be reassessed in FY 2012. It is expected that property tax assessments will decrease by about 22%.

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

**Business-type activities.** The Recreation Programs Enterprise Fund was established to collect and record fees charged for recreation programming. Without the fee programs, the County would have to cut approximately 50% of the recreation programs currently offered to citizens. Recreation and Parks netted \$73,895 in FY 2011 compared to FY 2010 net of \$16,990.

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 \$4,736 from FY 2010 to FY 2011. Expenses of the programs decreased \$25,188.

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, reduces down time and increases cross-

governmental efficiencies. The fund generated an operating profit of \$35,162 in FY 2011, a decrease of \$31,889 compared to FY 2010.

Combined business-type activities generated \$799,992 in net revenues over expenses, with \$3,975,947 transferred to governmental activities. This resulted in net assets for business-type activities decreasing by \$3,175,955 from FY 2010.

### **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 \$9.1 million. Approximately \$2.9 million of the total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved, indicating that it is not available for new spending because it has already been committed: 1) to liquidate contracts, purchase orders and capital commitments of the prior period; 2) as a revenue source for the FY 2012 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 \$2.9 million, while total fund balance for all governmental funds was \$9.1 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 \$393,046 in FY 2011.
- The ending fund balance was \$3,110,988.
- Property tax revenue increased by \$.6 million due to increased property values and some new construction.
- Income tax revenue was \$300,000 higher than expected.

In the FY 2011 budget, the Caroline County Commissioners took the following actions:

- Instituted an Early Retirement Incentive to encourage eligible employees to retire instead of RIF (Reduction in Staff) being implemented. The problem with this strategy is that very often the people most valuable to the organization are also the eligible employees who leave. This left shortages in the workplace that eventually will require employee replacement.
- Increased the employee share of health insurance for individual coverage from 100% to 90% and for other coverage from 85% to 80%. Employees also did not receive merit or COLA raise this year. This combination put a great burden on county staff.
- Departments were budgeted at flat or reduced budget compared to the FY 2010 budget.

Fund balance of the Capital Improvement Fund decreased by \$1,445,706. This reflected the yearly depreciation of assets without the ability to replace and repair current assets such as roads, buildings, vehicles and other items.

Capital Reserve fund balance increased by \$235,880. The transfer tax amount was above expectation and capital reserve funds budgeted to be used to pay debt service were not used.

The Other Postemployment Benefits Fund was established as a trust fund in FY 2009. The FY 2011 contribution was \$50,000. While this is not at the level desired by the County, there were no additional funds to contribute in these challenging economic periods.

**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 assets decreased from \$3,485,822 in 2010 to \$669,867 in FY 2011, primarily because the Health and Public Safety Building was moved from a business-type activity to the General Fund.

### **General Fund Budgetary Highlights**

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

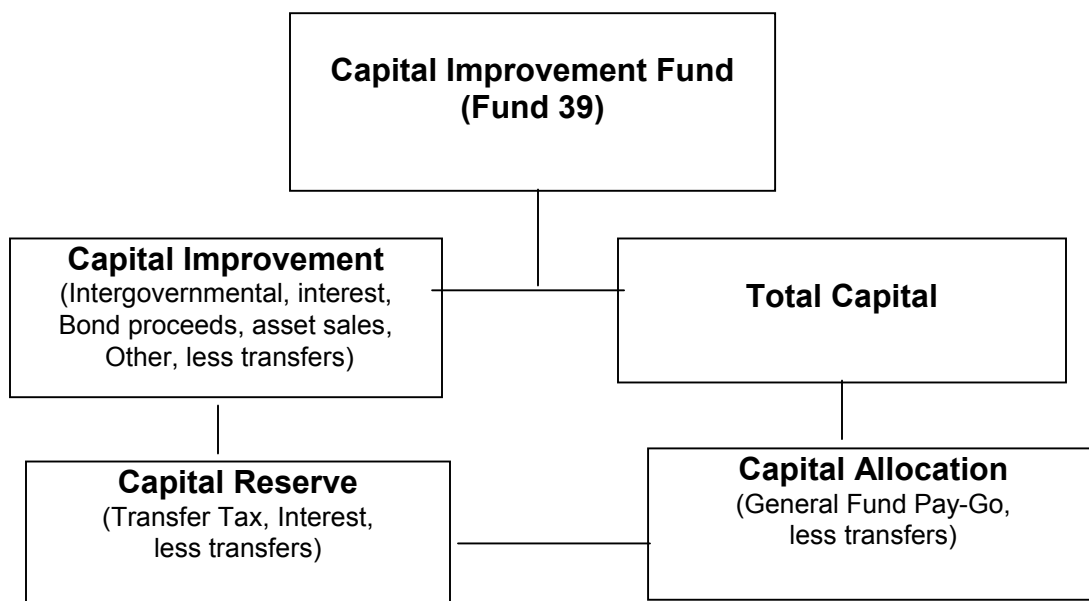
- Some revenue sources did not meet projections.
- Income tax revenue exceeded expectation.
- Several departments spent less than the amount budgeted for their operation.
- The budget was designed to not use Fund Balance.
- The County refinanced a 2001 note resulting in a savings of \$140,000.

Increases in fund balance are not expected in the near future due to the continuing uncertainty of the economy. The FY 2012 budget is not projected to use any fund balance, requiring departments to remain within budgeted amounts. Revenue projections are extremely uncertain due to the slow economic recovery from recession and potential State budget reductions.

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

### Capital Improvement Fund Highlights

The following diagram depicts the Capital Improvement Fund structure utilized by Caroline County, with the related revenue sources:



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 the several years needed 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.

The Capital Reserve Fund depends upon transfer taxes and interest earned as its only revenue sources. The transfer tax is budgeted based upon estimated collections from

transfers of properties. Transfer tax revenue declined from \$874,821 in FY 2007 to \$341,573 in FY 2011. By law, the Reserve fund balance cannot go below \$750,000 unless there is a financial emergency. As of June 30, 2011, the balance was \$1,796,410.

## 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, 2011, amounts to \$59.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The County's investment in capital assets for the current fiscal year decreased slightly due to depreciation of assets. The Commissioners have shown a dedication to keeping the County's infrastructure in good condition, although the economic recession and revenue decreases have diminished the County's ability to meet the demand for funding capital items.

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

Capital Assets, Net of Depreciation	Governmental Activities		Business-Types Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Land Improvements	\$13,095,598	\$ 8,469,550	\$ 0	\$ 375,000	\$13,095,598	\$ 8,844,550
Non-depreciable infrastructure	17,052,974	17,052,974	0	0	17,052,974	17,052,974
Construction in progress	1,730,429	5,964,470	0	0	1,730,429	5,964,470
Infrastructure	6,052,911	6,576,135	0	0	6,052,911	6,576,135
Buildings	12,991,921	10,029,923	335,514	3,258,900	13,327,435	13,288,823
Improvements	2,320,517	2,549,904	0	0	2,320,517	2,549,904
General capital assets	1,575,403	1,940,301	0	0	1,575,403	1,940,301
Vehicles	287,423	407,586	0	0	287,423	407,586
Machinery and equipment	<u>4,464,207</u>	<u>5,414,709</u>	<u>0</u>	<u>0</u>	<u>4,464,207</u>	<u>5,414,709</u>
Total	<u>\$59,571,383</u>	<u>\$58,405,552</u>	<u>\$ 335,514</u>	<u>\$3,633,900</u>	<u>\$59,906,897</u>	<u>\$62,039,452</u>

Additional information on the County's capital assets can be found in Note 6 on pages 60-63 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 \$37 million, which are backed by the full faith and credit of the County.

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

**June 30, 2011**

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General obligation bonds	\$33,956,118	\$33,956,118	\$ 0

During the current fiscal year, the County's general obligation debt decreased by \$2.5 million. The County refunded 2001 debt for \$3.6 million and paid \$3.7 million.

The County has a rating of "A3" from Moody's Investment Service and maintained an "A" rating from Standard & Poor's.

Additional information on the County's long-term debt can be found in Note 7 on pages 63-67 of this report.

**Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the County was 9.0% in June 2011. The State's average was 7.0%.<sup>1</sup>
- Real property tax revenue and all revenues are uncertain due to national and state economic characteristics resulting from the recession.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2012.

County employees received no pay scale increase. Most County employees received health insurance premium cost increases.

The State of Maryland budget problems have increased, and a deficit is projected going into FY 2012. The State has already passed down to each county 90% of the operating costs of that County's local SDAT office. There is also indication that the State will pass down the cost of funding teachers' pensions to local governments or directly to each county's Board of Education.

1. Monthly Labor Review June 2011  
www.dllr.maryland.gov

## **Request for Information**

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

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

Or, please visit our website at [www.carolinemd.org](http://www.carolinemd.org)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 44,912	\$ 706,231	\$ 751,143	\$ 15,484,694
Investments	7,087,756	-	7,087,756	120,366
Deposits	114,446	-	114,446	-
Taxes receivable	4,027	-	4,027	-
Accounts receivable	1,409,095	224,220	1,633,315	443,104
Other receivables	27,249	-	27,249	-
Prepaid expenses	15,318	1,000	16,318	72,602
Inventories	230,633	-	230,633	60,786
Due from other governments	1,288,589	-	1,288,589	1,357,093
Other assets	6,330,124	-	6,330,124	-
Restricted assets:				
Investments	-	-	-	497,026
Accounts receivable	-	-	-	17,337
Capital assets:				
Nondepreciable assets	31,879,001	-	31,879,001	27,806,672
Depreciable assets, net	<u>27,692,382</u>	<u>335,514</u>	<u>28,027,896</u>	<u>52,893,543</u>
<b>Total assets</b>	<u>76,123,532</u>	<u>1,266,965</u>	<u>77,390,497</u>	<u>98,753,223</u>
<b>LIABILITIES:</b>				
Accounts payable	1,423,659	288,597	1,712,256	893,333
Accrued expenses	315,558	-	315,558	6,783,242
Due to other governments	75,573	-	75,573	-
Unearned revenue	94,406	10,823	105,229	2,783,144
Internal balances, net	(297,678)	297,678	-	-
Other liabilities	27,129	-	27,129	-
Non-current liabilities:				
Due within one year	4,182,150	-	4,182,150	549,790
Due in more than one year	<u>39,901,394</u>	<u>-</u>	<u>39,901,394</u>	<u>17,856,413</u>
<b>Total liabilities</b>	<u>45,722,191</u>	<u>597,098</u>	<u>46,319,289</u>	<u>28,865,922</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	22,611,390	335,514	22,946,904	75,972,287
Restricted for:				
Capital projects	-	-	-	-
General government	1,276,394	-	1,276,394	501,382
Unrestricted	<u>6,513,557</u>	<u>334,353</u>	<u>6,847,910</u>	<u>(6,586,368)</u>
<b>Total net assets</b>	<u>\$ 30,401,341</u>	<u>\$ 669,867</u>	<u>\$ 31,071,208</u>	<u>\$ 69,887,301</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total Net Expense/Revenue	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government	\$ 5,628,953	\$ 385,178	\$ 360,587	\$ -	\$ (4,883,188)	\$ -	\$ (4,883,188)	\$ -
Public Safety-Sheriff	3,210,003	67,086	439,240	-	(2,703,677)	-	(2,703,677)	-
Public Safety-Fire Departments	1,305,500	-	206,536	-	(1,098,964)	-	(1,098,964)	-
Public Safety- Corrections	3,368,108	321,383	1,200	-	(3,045,525)	-	(3,045,525)	-
Public Safety- Emergency Services	4,860,287	195,480	301,558	-	(4,363,249)	-	(4,363,249)	-
Public Safety-Animal Control	275,370	-	-	-	(275,370)	-	(275,370)	-
Public Safety-Liquor Licensing	11,930	59,251	-	-	47,321	-	47,321	-
Public Works	4,908,094	119,423	271,553	727,976	(3,789,142)	-	(3,789,142)	-
Health	621,859	48,413	-	-	(573,446)	-	(573,446)	-
Social services	1,267,129	-	982,620	134,660	(149,849)	-	(149,849)	-
Primary education	13,498,500	-	-	-	(13,498,500)	-	(13,498,500)	-
Secondary education	1,413,551	-	-	-	(1,413,551)	-	(1,413,551)	-
Recreation and culture	1,153,486	108,857	763,892	27,599	(253,138)	-	(253,138)	-
Library	1,100,000	-	-	-	(1,100,000)	-	(1,100,000)	-
Conservation of natural resources	765,874	161,644	169,864	-	(434,366)	-	(434,366)	-
Economic development	357,460	7,757	125,615	-	(224,088)	-	(224,088)	-
Public housing	315,255	296,401	-	-	(18,854)	-	(18,854)	-
Interest on long-term debt	<u>1,435,458</u>	<u>-</u>	<u>7,410</u>	<u>-</u>	<u>(1,428,048)</u>	<u>-</u>	<u>(1,428,048)</u>	<u>-</u>
Total governmental activities	<u>45,496,817</u>	<u>1,770,873</u>	<u>3,630,075</u>	<u>890,235</u>	<u>(39,205,634)</u>	<u>-</u>	<u>(39,205,634)</u>	<u>-</u>
Business-type activities:								
Broadband supply	114,178	105,300	66,150	-	-	57,272	57,272	-
Recreation	619,732	173,827	519,800	-	-	73,895	73,895	-
Public Works	755,518	790,680	-	-	-	35,162	35,162	-
Basic Life Support	<u>517,036</u>	<u>1,150,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,663</u>	<u>633,663</u>	<u>-</u>
Total business-type activities	<u>2,006,464</u>	<u>2,220,506</u>	<u>585,950</u>	<u>-</u>	<u>-</u>	<u>799,992</u>	<u>799,992</u>	<u>-</u>
Total primary government	<u>\$ 47,503,281</u>	<u>\$ 3,991,379</u>	<u>\$ 4,216,025</u>	<u>\$ 890,235</u>	<u>(39,205,634)</u>	<u>799,992</u>	<u>(38,405,642)</u>	<u>-</u>
<b>COMPONENT UNITS:</b>								
Board of Education of Caroline Co.	\$ 75,329,630	\$ 3,491,051	\$ 13,061,454	\$ 4,990,112	-	-	-	(53,787,013)
Board of Library Trustees of Caroline Co.	<u>1,735,270</u>	<u>22,134</u>	<u>94,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,619,087)</u>
Total component units	<u>\$ 77,064,900</u>	<u>\$ 3,513,185</u>	<u>\$ 13,155,503</u>	<u>\$ 4,990,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,406,100)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES  
(CONTINUED)

YEAR ENDED JUNE 30, 2011

	<u>Net (Expenses) Revenue and Changes in Net Assets</u>			
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Net Expense/ Revenue</u>	
General revenues:				
Local property taxes	\$ 23,892,084	\$ -	\$ 23,892,084	\$ -
Income taxes	10,627,737	-	10,627,737	-
Other local taxes:				
Recordation tax	1,134,102	-	1,134,102	-
School construction excise tax	140,916	-	140,916	-
Mobile home tax	78,935	-	78,935	-
Gain (loss) on sale of assets	(75,480)	-	(75,480)	-
Transfer taxes	341,573	-	341,573	-
State shared general revenue	2,131,782	-	2,131,782	-
Interest and investment earnings	14,944	-	14,944	17,991
Other income	-	-	-	854,524
County and State appropriations	-	-	-	53,261,385
Net transfers in (out)	<u>3,975,947</u>	<u>(3,975,947)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>42,262,540</u>	<u>(3,975,947)</u>	<u>38,286,593</u>	<u>54,133,900</u>
Change in net assets	3,056,906	(3,175,955)	(119,049)	(1,272,200)
Net assets – beginning	<u>27,344,435</u>	<u>3,845,822</u>	<u>31,190,257</u>	<u>71,159,501</u>
Net assets – ending	<u>\$ 30,401,341</u>	<u>\$ 669,867</u>	<u>\$ 31,071,208</u>	<u>\$ 69,887,301</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Capital Reserve</u>	<u>Special Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 2,200,761	\$ 2,744,237	\$ 1,190,159	\$ 1,728	\$ 995,783	\$ 7,132,668
Deposits	-	114,446	-	-	-	114,446
Receivables:						
Taxes	4,027	-	-	-	-	4,027
Accounts	80,112	552,725	73,495	272,056	430,707	1,409,095
Other	1,078	-	-	-	-	1,078
Due from other funds	411,567	75,245	565,756	-	-	1,052,568
Due from other governments	1,174,934	-	-	-	-	1,174,934
Prepaid items	15,318	-	-	-	-	15,318
Material and supplies, at cost	230,633	-	-	-	-	230,633
Other assets	-	-	-	-	600,324	600,324
<b>Total assets</b>	<b>\$ 4,118,430</b>	<b>\$ 3,486,653</b>	<b>\$ 1,829,410</b>	<b>\$ 273,784</b>	<b>\$ 2,026,814</b>	<b>\$ 11,735,091</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities:						
Accounts payable	\$ 253,089	\$ 757,926	\$ 21,500	\$ 272,056	\$ 119,088	\$ 1,423,659
Accrued items	315,558	-	-	-	-	315,558
Due to other funds	343,322	203,243	11,500	-	170,654	728,719
Due to other governments	8,621	-	-	-	66,952	75,573
Deferred revenues	83,141	-	-	-	11,265	94,406
Other liabilities	3,711	-	-	-	23,418	27,129
<b>Total liabilities</b>	<b>1,007,442</b>	<b>961,169</b>	<b>33,000</b>	<b>272,056</b>	<b>391,377</b>	<b>2,665,044</b>
Fund balance:						
Non-spendable	245,951	-	-	-	-	245,951
Restricted	-	-	-	1,728	1,274,666	1,276,394
Committed	-	2,525,484	1,796,410	-	277,176	4,599,070
Assigned	-	-	-	-	83,595	83,595
Unassigned	2,865,037	-	-	-	-	2,865,037
<b>Total fund balance</b>	<b>3,110,988</b>	<b>2,525,484</b>	<b>1,796,410</b>	<b>1,728</b>	<b>1,635,437</b>	<b>9,070,047</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,118,430</b>	<b>\$ 3,486,653</b>	<b>\$ 1,829,410</b>	<b>\$ 273,784</b>	<b>\$ 2,026,814</b>	<b>\$ 11,735,091</b>

See accompanying notes.

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

JUNE 30, 2011

Total Governmental Fund Balance	\$	9,070,047
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		59,571,383
Long-term receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		113,655
Net pension obligation (debit), which is not due and payable in the current period and, therefore, not reported in the funds		2,912,189
Net OPEB obligation (debit), which is not due and payable in the current period and, therefore, not reported in the funds		2,817,611
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable		(33,956,118)
Loans and notes payable		(6,201,300)
Landfill closure costs		(2,271,148)
Compensated absences which are not due and payable in the current period and, therefore, are not reported in the funds		<u>(1,654,978)</u>
Net assets of Governmental Activities	\$	<u>30,401,341</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Capital Reserve</u>	<u>Special Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 36,140,811	\$ -	\$ 341,573	\$ -	\$ 282,686	\$ 36,765,070
License and permits	184,591	-	-	-	370	184,961
Intergovernmental revenues	3,099,703	1,599,957	-	1,169,101	393,504	6,262,265
Charges for services	722,778	-	-	-	-	722,778
Miscellaneous revenues	<u>104,391</u>	<u>6,335</u>	<u>1,763</u>	<u>-</u>	<u>625,759</u>	<u>738,248</u>
Total revenues	<u>40,252,274</u>	<u>1,606,292</u>	<u>343,336</u>	<u>1,169,101</u>	<u>1,302,319</u>	<u>44,673,322</u>
Expenditures:						
General government	4,621,828	104,536	-	-	-	4,726,364
Public safety	11,434,816	-	59,778	-	389,431	11,884,025
Public works	3,509,724	1,856,358	47,678	-	-	5,413,760
Health	540,151	-	-	-	-	540,151
Social services	138,028	-	-	-	-	138,028
Primary education	12,415,902	1,082,598	-	-	-	13,498,500
Secondary education	1,458,291	-	-	-	-	1,458,291
Public Library	1,100,000	-	-	-	-	1,100,000
Recreation and parks	754,991	51,780	-	-	74,764	881,535
Arts	5,000	-	-	-	-	5,000
Conservation of natural resources	313,233	300	-	-	-	313,533
Housing services	-	-	-	-	-	-
Housing rehabilitation	-	-	-	-	-	-
Economic development	242,850	-	-	1,169,101	413,104	1,825,055
Intergovernmental – local	3,090	-	-	-	-	3,090
Historical	-	-	-	-	-	-
Contingency	63,978	-	-	-	-	63,978
Town planning grants	8,500	-	-	-	-	8,500
Capital outlay	-	-	-	-	9,588	9,588
Miscellaneous	-	-	-	-	507,485	507,485
Debt Service:						
Principal	6,235,600	-	-	-	-	6,235,600
Interest and fiscal charges	<u>1,485,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,485,758</u>
Total expenditures	<u>44,331,740</u>	<u>3,095,572</u>	<u>107,456</u>	<u>1,169,101</u>	<u>1,394,372</u>	<u>50,098,241</u>
Excess (deficiency) of revenues over expenditures	<u>(4,079,466)</u>	<u>(1,489,280)</u>	<u>235,880</u>	<u>-</u>	<u>(92,053)</u>	<u>(5,424,919)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (CONTINUED)

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Capital Reserve</u>	<u>Special Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):						
Proceeds from sale of capital assets	\$ -	\$ 19,987	\$ -	\$ -	\$ -	\$ 19,987
Bond premium	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-
Issuance of refunding debt	3,736,000	-	-	-	-	3,736,000
Transfers in	911,876	23,587	-	-	-	935,463
Transfers out	<u>(175,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,206)</u>	<u>(265,570)</u>
Total other financing sources (uses)	<u>4,472,512</u>	<u>43,574</u>	<u>-</u>	<u>-</u>	<u>(90,206)</u>	<u>4,425,880</u>
Net change in fund balances	393,046	(1,445,706)	235,880	-	(182,259)	(999,039)
Fund balances, beginning	2,684,264	3,971,190	1,560,530	1,728	1,817,696	10,035,408
Decrease in reserve for materials and supplies	<u>33,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,678</u>
Fund balances, ending	<u>\$ 3,110,988</u>	<u>\$ 2,525,484</u>	<u>\$ 1,796,410</u>	<u>\$ 1,728</u>	<u>\$ 1,635,437</u>	<u>\$ 9,070,047</u>

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, 2011

Net change in fund balance – Governmental Funds	\$ (999,039)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the cost of capital assets which have been capitalized during the current year.	1,284,086
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.	(95,467)
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 reduction of long-term liability.	3,200,600
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 receivables.	(15,343)
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:	
Increase in net pension obligation	(185,745)
Increase in net OPEB obligation	(143,076)
Increase in reserve for materials and supplies	33,678
Depreciation expense	(3,350,599)
Transfer/contribution of capital assets from business-type activities to governmental activities	<u>3,327,811</u>
Change in net assets of Governmental Activities	<u>\$ 3,056,906</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2011

	Business-Type Activities			<u>Total</u>
	<u>Basic Life Support Fund</u>	<u>Broadband Supply Fund</u>	<u>Other Proprietary Funds</u>	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 502,793	\$ 115,184	\$ 88,254	\$ 706,231
Accounts receivable	-	16,537	207,683	224,220
Prepaid expenses	-	-	1,000	1,000
Total current assets	502,793	131,721	296,937	931,451
Noncurrent assets:				
Capital assets, net	-	335,514	-	335,514
Total assets	<u>502,793</u>	<u>467,235</u>	<u>296,937</u>	<u>1,266,965</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	206,141	16,538	65,918	288,597
Due to other funds	-	297,678	-	297,678
Unearned revenue	-	-	10,823	10,823
Total current liabilities	206,141	314,216	76,741	597,098
Noncurrent liabilities:				
Long-term debt	-	-	-	-
Total liabilities	<u>206,141</u>	<u>314,216</u>	<u>76,741</u>	<u>597,098</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	-	335,514	-	335,514
Unrestricted	<u>296,652</u>	<u>(182,495)</u>	<u>220,196</u>	<u>334,353</u>
Total net assets	<u>\$ 296,652</u>	<u>\$ 153,019</u>	<u>\$ 220,196</u>	<u>\$ 669,867</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	Business-Type Activities			<u>Total</u>
	<u>Basic Life Support Fund</u>	<u>Broadband Supply Fund</u>	<u>Other Proprietary Funds</u>	
Operating revenues:				
Charges for services	\$ 1,150,599	\$ 171,450	\$ 1,484,307	\$ 2,806,356
Other income	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Total operating revenues	<u>1,150,699</u>	<u>171,450</u>	<u>1,484,307</u>	<u>2,806,456</u>
Operating expenses:				
Personnel services	9,069	-	405,989	415,058
Operations and maintenance	507,967	74,360	969,261	1,551,588
Depreciation expense	<u>-</u>	<u>39,818</u>	<u>-</u>	<u>39,818</u>
Total operating expenses	<u>517,036</u>	<u>114,178</u>	<u>1,375,250</u>	<u>2,006,464</u>
Operating income (loss)	<u>633,663</u>	<u>57,272</u>	<u>109,057</u>	<u>799,992</u>
Nonoperating revenues (expenses):				
Capital withdrawals	<u>-</u>	<u>-</u>	<u>(3,327,811)</u>	<u>(3,327,811)</u>
Transfers in (out)	<u>(601,955)</u>	<u>-</u>	<u>(46,181)</u>	<u>(648,136)</u>
Change in net assets	31,708	57,272	(3,264,935)	(3,175,955)
Net assets, beginning of year	<u>264,944</u>	<u>95,747</u>	<u>3,485,131</u>	<u>3,845,822</u>
Net assets, end of year	<u>\$ 296,652</u>	<u>\$ 153,019</u>	<u>\$ 220,196</u>	<u>\$ 669,867</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Basic Life Support Fund</u>	<u>Broadband Supply Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,209,809	\$ 171,010	\$ 1,420,152	\$ 2,800,971
Cash paid to suppliers	(541,898)	(73,919)	(960,047)	(1,575,864)
Cash paid to employees	<u>(9,069)</u>	<u>-</u>	<u>(405,989)</u>	<u>(415,058)</u>
Net cash provided by operating activities	<u>658,842</u>	<u>97,091</u>	<u>54,116</u>	<u>810,049</u>
Cash flows from noncapital financing activities:				
Transfers in (out)	(601,955)	-	(46,181)	(648,136)
Receipts (payments) from interfund loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(601,955)</u>	<u>-</u>	<u>(46,181)</u>	<u>(648,136)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(69,243)	-	(69,243)
Principal payments of long-term debt	-	-	-	-
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(69,243)</u>	<u>-</u>	<u>(69,243)</u>
Net increase (decrease) in cash and cash equivalents	56,887	27,848	7,935	92,670
Cash and cash equivalents, beginning of year	<u>445,906</u>	<u>87,336</u>	<u>80,319</u>	<u>613,561</u>
Cash and cash equivalents, end of year	<u>\$ 502,793</u>	<u>\$ 115,184</u>	<u>\$ 88,254</u>	<u>\$ 706,231</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$ 633,663	\$ 57,272	\$ 109,057	\$ 799,992
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	39,818	-	39,818
Decrease in deposits on assets	-	-	-	-
(Increase)/decrease in accounts receivable	59,110	(440)	(61,579)	(2,909)
Decrease in prepaid expenses	-	-	(850)	(850)
Increase/(decrease) in accounts payable	(33,931)	441	10,064	(23,426)
Increase in deferred revenue	<u>-</u>	<u>-</u>	<u>(2,576)</u>	<u>(2,576)</u>
Net cash provided by operating activities	<u>\$ 658,842</u>	<u>\$ 97,091</u>	<u>\$ 54,116</u>	<u>\$ 810,049</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 656,230	\$ 950,511
Investments at fair value:		
Fixed income	-	9,751,386
Common stocks	-	1,445,235
Equity funds	-	7,356,470
	<hr/>	<hr/>
Total investments at fair value	-	18,553,091
	<hr/>	<hr/>
Taxes and other receivables	35,952	-
	<hr/>	<hr/>
Total assets	<u>\$ 692,182</u>	<u>19,503,602</u>
<u>LIABILITIES:</u>		
Accounts payable	62,636	-
Due to property owners	357,367	-
Due to other funds	183	25,988
Due to other governments	256,484	-
Due to participants	15,512	-
	<hr/>	<hr/>
Total liabilities	<u>\$ 692,182</u>	<u>25,988</u>
<u>NET ASSETS:</u>		
Held in trust for participants		<u>\$ 19,477,614</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011

	<u>Employee benefit Trust Funds</u>
Additions:	
Contributions:	
Plan sponsor	\$ 943,164
Employee	49,464
Unrealized appreciation in asset value	2,000,091
Interest, dividends and gains	<u>750,729</u>
Total additions	<u>3,743,448</u>
Deductions:	
Benefits paid	1,629,702
Transfers out	189,921
Administrative fees	88,216
Net realized loss on sale of securities	<u>27,409</u>
Total deductions	<u>1,935,248</u>
Change in net assets	1,808,200
Net assets, beginning of year	<u>17,669,414</u>
Net assets, end of year	<u>\$ 19,477,614</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET ASSETS

COMPONENT UNITS

JUNE 30, 2011

	Board of Education of <u>Caroline County</u>	Board of Library Trustees of <u>Caroline County</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash	\$ 15,436,618	\$ 48,076	\$ 15,484,694
Investments	-	120,366	120,366
Accounts receivable	396,547	46,557	443,104
Prepaid expenses	18,800	53,802	72,602
Other assets	-	-	-
Inventories	60,786	-	60,786
Due from other governments	1,357,093	-	1,357,093
Restricted assets:			
Investments	-	497,026	497,026
Accounts receivable	-	17,337	17,337
Construction in progress	27,806,672	-	27,806,672
Other capital assets, net	<u>51,958,855</u>	<u>934,688</u>	<u>52,893,543</u>
 Total assets	 <u>97,035,371</u>	 <u>1,717,852</u>	 <u>98,753,223</u>
<b>LIABILITIES:</b>			
Accounts payable	857,194	36,139	893,333
Accrued expenses	6,749,829	33,413	6,783,242
Due to other governments	-	-	-
Deferred revenue	2,782,908	236	2,783,144
Accrued compensated absences	-	24,984	24,984
Long-term liabilities:			
Due within one year	549,790	-	549,790
Due in more than one year	<u>17,831,429</u>	<u>-</u>	<u>17,831,429</u>
 Total liabilities	 <u>28,771,150</u>	 <u>94,772</u>	 <u>28,865,922</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	75,037,599	934,688	75,972,287
Restricted for:			
Fund purposes	-	501,382	501,382
Unrestricted (deficit)	<u>(6,773,378)</u>	<u>187,010</u>	<u>(6,586,368)</u>
 Total net assets	 <u>\$ 68,264,221</u>	 <u>\$ 1,623,080</u>	 <u>\$ 69,887,301</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS

YEAR ENDED JUNE 30, 2011

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	\$ 75,329,630	\$ 3,491,051	\$ 13,061,454	\$ 4,990,112	\$ (53,787,013)	\$ -	\$ (53,787,013)
Board of Library Trustees of Caroline County	<u>1,735,270</u>	<u>22,134</u>	<u>94,049</u>	<u>-</u>	<u>-</u>	<u>(1,619,087)</u>	<u>(1,619,087)</u>
Total component units	<u>\$ 77,064,900</u>	<u>\$ 3,513,185</u>	<u>\$ 13,155,503</u>	<u>\$ 4,990,112</u>	<u>(53,787,013)</u>	<u>(1,619,087)</u>	<u>(55,406,100)</u>
General revenues:							
County appropriations					12,415,902	1,100,000	13,515,902
State appropriations					39,332,651	412,832	39,745,483
Interest and investment earnings					16,535	1,456	17,991
Miscellaneous					<u>842,590</u>	<u>12,831</u>	<u>855,421</u>
Total general revenue					<u>52,607,678</u>	<u>1,527,119</u>	<u>54,134,797</u>
Loss on disposal of equipment					<u>(897)</u>	<u>-</u>	<u>(897)</u>
Change in net assets					(1,180,232)	(91,968)	(1,272,200)
Net assets – beginning					<u>69,444,453</u>	<u>1,715,048</u>	<u>71,159,501</u>
Net assets – ending					<u>\$ 68,264,221</u>	<u>\$ 1,623,080</u>	<u>\$ 69,887,301</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**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, 2011

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 Assets 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 County provided \$12,415,902 in operating funding and \$1,082,598 in capital funding to the Board of Education during Fiscal Year 2011.

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. The County provided \$1,100,000 in operating funding and \$0 in capital funding to the Library during Fiscal Year 2010.

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, 2011

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 Assets 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 assets 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 Assets, 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 assets are reported in three parts – (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on the net asset 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 assets restricted for other purposes result from special revenue funds and the restrictions on their net asset 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, 2011

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, with the exception of the Special Grants Fund, 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 and Capital Reserve Funds are major funds, and are 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 assets, 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, 2011

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 and Broadband Supply Fund are considered major funds and are presented separately. All other enterprise funds are non-major, and their data is combined into a single aggregated presentation. The Health and Public Services Fund has been absorbed into the General Fund and its assets were transferred to the General Fund, effective July 1, 2010.

**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 assets and changes in net assets 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 town taxes, state taxes, motor vehicle tags, public drainage associations, and hotel occupancy taxes, as well as inmates' funds and confiscated property. 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 Assets.

**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, 2011

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 assets (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 assets.

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 deferred revenue.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

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 deferred 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.

All property taxes are recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes), which states that such 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 revenues.

**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, 2011

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 of the County, consisting of expendable supplies held for the County’s sale and use, are valued at cost using the First-In/First-Out 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 \$1,000 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, 2011

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

<u>The Board of Education</u>	
Buildings and improvements	15 – 50 years
Furniture and equipment	5 – 20 years
Vehicles	6 – 15 years
Software	5 – 7 years
<u>The Library</u>	
Furniture and equipment	5-10 years
Vehicles	5 years
Books and materials	7 years
Leasehold improvements	30 years

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

**Fund Equity:** In the government-wide financial statements, equity is classified as net assets 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 net assets – consists of net assets with 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 net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, equity is classified as fund balance for governmental funds. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the County Commissioners, through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

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

County Commissioners. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

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

**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 assets.

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, 2011

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. Budgets were not adopted for the Equitable Sharing Task Force, OJP Grant Law Enforcement, Dayspring Townhomes, MEAF Revolving Loan, Revolving Loan and Development Rights Special Revenue Funds. Budgetary comparison schedules are presented for the General Fund, Capital Improvements and Capital Reserve Funds 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, 2011

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, 2011.

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 \$751,143 and the bank balance was \$1,210,196, 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	<u>\$ 7,087,756</u>

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**3. Cash Deposits and Investments (continued)**  
**B. Primary Government (continued)**

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, 2011, 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.

<u>Maturities</u>	
Cash and Equivalents	\$ 950,511
Less than 1 year	432,967
1-5 years	3,538,731
5-10 years	3,087,218
10-15 years	754,600
15-20 years	<u>0</u>
 Total	 <u>\$ 8,764,027</u>

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, 2011 was \$34,452 and \$100,138 for the Employees' Pension Plan and the OPEB Trust, respectively.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**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 \$1,177,405 and the bank balance was \$1,241,035. 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 \$48,076 and the bank balance was \$64,227, 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	<u>\$ 14,259,188</u>

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	<u>\$ 617,392</u>

**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 1.65% service and administrative fee. Properties with delinquent taxes are sold at public auction in June of each year.

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**5. Interfund transactions**

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Primary government:</u>		
General Fund	\$ 411,567	\$ 343,322
Special Revenue Funds:		
Law Library	-	5,017
OJP Grant Law Enforcement	-	13,321
Drug Task Force	-	19,935
CDBG	-	21,685
Emergency Management Grant	-	110,696
Total Special Revenue Funds	-	170,654
Capital Projects Funds:		
Capital Improvements	75,245	203,243
Capital Reserve	565,756	11,500
Total Capital Projects Funds	641,001	214,743
Agency Funds:		
Tax Sale Proceeds	-	183
Employee Benefit Trust Funds		
Firemen's Association (LOSAP)	-	25,988
Enterprise Funds:		
Broadband Supply	-	297,678
<u>Component units:</u>		
Board of Education	1,257,616	1,257,616
Board of Library Trustees	13,607	13,607
Total Component Units	1,271,223	1,271,223
	<u>\$ 2,323,791</u>	<u>\$ 2,323,791</u>

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  
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**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, 2011, operating transfers were made from the Public Works and Basic Life Support Enterprise Funds, the OPEB Trust and the State Agricultural Land Preservation Funds to the General Fund to help defray costs incurred by the General Fund. Funds were transferred to the 4-H Park, Capital Improvements, Health and Public Services and Retiree Health Care funds from the General Fund, to help defray costs incurred in those respective funds. A summary of interfund transfers by fund for the year ended June 30, 2011 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ <u>911,876</u>	\$ <u>175,364</u>
Special Revenue Funds:		
State Agricultural Land Preservation	-	20,000
4-H Park	<u>29,794</u>	<u>-</u>
Total special revenue funds	<u>29,794</u>	<u>20,000</u>
Capital Projects Funds:		
Educational Facilities	-	100,000
Capital Improvements	<u>23,587</u>	<u>-</u>
Total capital projects funds	<u>23,587</u>	<u>100,000</u>
Enterprise Funds:		
Health and Public Services	3,819	-
Basic Life Support	-	601,955
Public Works	<u>-</u>	<u>50,000</u>
Total enterprise funds	<u>3,819</u>	<u>651,955</u>
Private purpose trust funds:		
Retiree Health Care	118,164	-
OPEB Trust	<u>50,000</u>	<u>189,921</u>
Total private purpose trust funds	<u>168,164</u>	<u>189,921</u>
Total	<u>\$ 1,137,240</u>	<u>\$ 1,137,240</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**6. Capital assets**

**Caroline County**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 8,469,550	\$ 4,709,160	\$ (83,112)	\$ 13,095,598
Non-depreciable infrastructure	17,052,974	-	-	17,052,974
Construction in progress	<u>5,964,470</u>	<u>871,226</u>	<u>(5,105,267)</u>	<u>1,730,429</u>
Total capital assets, not depreciated	<u>31,486,994</u>	<u>5,580,386</u>	<u>(5,188,379)</u>	<u>31,879,001</u>
Capital assets, depreciated:				
Infrastructure	22,211,933	296,520	-	22,508,453
Buildings	23,167,444	4,950,582	-	28,118,026
Improvements	3,294,787	-	-	3,294,787
General capital assets	4,590,546	47,129	-	4,637,675
Vehicles	2,046,517	34,736	(21,711)	2,059,542
Machinery and equipment	<u>12,136,981</u>	<u>-</u>	<u>(101,830)</u>	<u>12,035,151</u>
Total capital assets, depreciated	<u>67,448,208</u>	<u>5,328,967</u>	<u>(123,541)</u>	<u>72,653,634</u>
Less: accumulated depreciation for:				
Infrastructure	(15,635,798)	(819,744)	-	(16,455,542)
Buildings	(13,137,521)	(1,988,584)	-	(15,126,105)
Improvements	(744,883)	(229,387)	-	(974,270)
General capital assets	(2,650,245)	(412,027)	-	(3,062,272)
Vehicles	(1,638,931)	(152,728)	19,540	(1,772,119)
Machinery and equipment	<u>(6,722,272)</u>	<u>(940,319)</u>	<u>91,647</u>	<u>(7,570,944)</u>
Total accumulated depreciation	<u>(40,529,650)</u>	<u>(4,542,789)</u>	<u>111,187</u>	<u>(44,961,252)</u>
Total capital assets, depreciated, net	<u>26,918,558</u>	<u>786,178</u>	<u>(12,354)</u>	<u>27,692,382</u>
Governmental activities capital assets, net	<u>\$ 58,405,552</u>	<u>\$ 6,366,564</u>	<u>\$ (5,200,733)</u>	<u>\$ 59,571,383</u>
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Land	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ (375,000)</u>	<u>\$ -</u>
Capital assets, depreciated:				
Building and improvements	4,531,638	69,243	(4,145,000)	455,881
Less: accumulated depreciation for:				
Buildings and improvements	<u>(1,272,738)</u>	<u>(39,818)</u>	<u>1,192,189</u>	<u>(120,367)</u>
Total capital assets, depreciated, net	<u>3,258,900</u>	<u>29,425</u>	<u>(2,952,811)</u>	<u>335,514</u>
Business-type activities capital assets, net	<u>\$ 3,633,900</u>	<u>\$ 29,425</u>	<u>\$ (3,327,811)</u>	<u>\$ 335,514</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**6. Capital assets (continued)**

**Caroline County (continued)**

Non-depreciable infrastructure consists primarily of road-base and rights of way.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 727,915
Public Safety – Sheriff	83,659
Public Safety – Emergency Medical	85,137
Public Safety – Corrections	50,480
Public Safety – Emergency Management	812,432
Public Works	1,163,895
Health and Welfare	6,582
Recreation and culture	304,732
Conservation of natural resources	45,883
Public housing	<u>69,884</u>

Total depreciation expense – Governmental Activities \$ 3,350,599

Business-type Activities:

Broadband Supply	<u>\$ 39,818</u>
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**Discretely Presented Component Units**

**Board of Education**

Capital asset activity for the Board of Education for the fiscal year ended June 30, 2011 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Construction in progress	\$ 20,007,409	\$ 7,803,708	\$ (4,445)	\$ 27,806,672
Capital assets, depreciated:				
Buildings and improvements	75,508,611	385,164	-	75,893,775
Furniture and equipment	1,095,517	122,783	(9,450)	1,208,850
Software	561,367	46,990	-	608,357
Vehicles	<u>1,462,732</u>	<u>74,997</u>	<u>-</u>	<u>1,537,729</u>
Total capital assets, depreciated	<u>78,628,227</u>	<u>629,934</u>	<u>(9,450)</u>	<u>79,248,711</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**6. Capital assets (continued)**

**Board of Education (continued)**

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (23,726,406)	\$ (1,548,330)	\$ -	\$ (25,274,736)
Furniture and equipment	(854,735)	(59,072)	945	(912,862)
Software	(457,547)	(39,658)	-	(497,205)
Vehicles	<u>(669,074)</u>	<u>(142,699)</u>	<u>-</u>	<u>(811,773)</u>
Total accumulated depreciation	<u>(25,707,762)</u>	<u>(1,789,759)</u>	<u>945</u>	<u>(27,496,576)</u>
Total capital assets, depreciated, net	<u>52,920,465</u>	<u>(1,159,825)</u>	<u>(8,505)</u>	<u>51,752,135</u>
Governmental activities capital assets, net	<u>\$ 72,927,874</u>	<u>\$ 6,643,883</u>	<u>\$ (12,950)</u>	<u>\$ 79,558,807</u>
<u>Business-type activities:</u>				
Equipment	\$ 945,888	\$ 9,685	\$ (15,100)	940,473
Vehicles	<u>36,745</u>	<u>-</u>	<u>-</u>	<u>36,745</u>
Total capital assets being depreciated	<u>982,633</u>	<u>9,685</u>	<u>(15,100)</u>	<u>977,218</u>
Less: accumulated depreciation:				
Equipment	(684,996)	(65,120)	11,203	(738,913)
Vehicles	<u>(31,585)</u>	<u>-</u>	<u>-</u>	<u>(31,585)</u>
Total accumulated depreciation	<u>(716,581)</u>	<u>(65,120)</u>	<u>11,203</u>	<u>(770,498)</u>
Business-type activities capital assets, net	<u>\$ 266,052</u>	<u>\$ (55,435)</u>	<u>\$ (3,897)</u>	<u>\$ 206,720</u>

Depreciation expense for the fiscal year ended June 30, 2011 was charged to governmental functions as follows:

Administration	\$ 86,814
School management and support	21,897
Other instructional costs	1,558,868
Pupil transportation	91,157
Maintenance of plant	<u>31,023</u>
Total depreciation expense	<u>\$ 1,789,759</u>

**Library**

Capital asset activity for the Library for the year ended June 30, 2011 was as follows:

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**6. Capital assets (continued)**

**Library (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Furnishings and equipment	\$ 918,307	\$ -	\$ -	\$ 918,307
Vehicles	114,769	-	-	114,769
Leasehold improvements	282,145	-	-	282,145
Books and materials	<u>1,291,553</u>	<u>116,913</u>	<u>(166,730)</u>	<u>1,241,736</u>
	<u>2,606,774</u>	<u>116,913</u>	<u>(166,730)</u>	<u>2,556,957</u>
Accumulated depreciation:				
Furnishings and equipment	(742,589)	(54,531)	-	(797,120)
Vehicles	(69,345)	(19,963)	-	(89,308)
Leasehold improvements	(29,542)	(9,405)	-	(38,947)
Books and materials	<u>(694,585)</u>	<u>(169,039)</u>	<u>166,730</u>	<u>(696,894)</u>
	<u>(1,536,061)</u>	<u>(252,938)</u>	<u>166,730</u>	<u>(1,622,269)</u>
Net capital assets	<u>\$ 1,070,713</u>	<u>\$ (136,025)</u>	<u>\$ -</u>	<u>\$ 934,688</u>

Governmental activities depreciation expense was \$252,938 for the fiscal year ended June 30, 2011.

**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 both governmental and business-type activities. The following is a summary of the County's long-term debt transactions for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements and Repayments</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Governmental activities:					
Bonds and loans	\$ 40,171,173	\$ 3,736,000	\$ 6,280,338	\$ 37,626,835	\$ 3,287,150
Unpaid vacation and sick pay benefits	1,804,902	884,816	1,034,740	1,654,978	895,000
Accrued landfill liability	2,777,486	0	506,338	2,271,148	0
Dayspring Townhomes	<u>2,530,583</u>	<u>0</u>	<u>0</u>	<u>2,530,583</u>	<u>0</u>
	<u>\$ 47,284,144</u>	<u>\$ 4,620,816</u>	<u>\$ 7,821,416</u>	<u>\$ 44,083,544</u>	<u>\$ 4,182,150</u>

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

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

General long-term debt for governmental activities at June 30, 2011 is composed of the following issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Original Issue</u>	<u>Outstanding</u>
General bonded debt:					
Jail facility	5.000%	1982	2012	\$ 1,350,000	\$ 82,318
2002 Communications Bond	4.020%	2002	2012	4,900,000	577,800
2006 Public Improvement Bond	3.75-4.0%	2006	2021	12,475,000	9,805,000
2008 Public Improvement Bond	3.50-4.50%	2008	2028	5,600,000	5,000,000
Refunding Bond of 2009	2.0-4.375%	2009	2037	7,785,000	7,135,000
Public Improvements Bond of 2009	1.60-6.10%	2009	2030	7,700,000	7,620,000
Public Improvements Refunding Bond of 2011	2.000%	2011	2016	3,736,000	3,736,000
State loans:					
Business Development Center- conditional	0.000%	2002	2012	160,000	160,000
Midshore Business & Tech. Park	0.000%	2007	-	3,057,529	3,057,529
Capital projects loans:					
Chesapeake College	5.900%	1994	2014	190,000	45,600
Chesapeake College	5.506%	2000	2020	535,000	300,000
Chesapeake College	3.500%	2003	2023	<u>155,000</u>	<u>107,588</u>
				<u>\$ 47,643,529</u>	37,626,835
Other components:					
Long-term portion of unpaid vacation and sick pay benefits					1,654,978
Accrued landfill liability					2,271,148
Long-term obligations of Dayspring Townhomes					<u>2,530,583</u>
					<u>\$ 44,083,544</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**7. Long-term obligations (continued)**

The annual requirements to amortize all general bonded debt and state loans at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Governmental Activities		Total Requirement
	Principal	Interest	
2012	\$ 3,287,150	\$ 1,224,988	\$ 4,512,138
2013	2,610,323	1,140,964	3,751,287
2014	2,452,615	1,081,462	3,534,077
2015	2,545,807	1,022,130	3,567,937
2016	2,668,206	959,598	3,627,804
2017	1,933,605	893,039	2,826,644
2018	1,994,061	821,426	2,815,487
2019	2,004,517	742,352	2,746,869
2020	2,099,972	665,750	2,765,722
2021	2,145,485	583,095	2,728,580
2022	2,260,998	495,416	2,756,414
2023	1,231,567	425,062	1,656,629
2024	1,135,000	371,964	1,506,964
2025	1,080,000	319,554	1,399,554
2026	1,095,000	268,139	1,363,139
2027	1,090,000	213,239	1,303,239
2028	1,075,000	157,934	1,232,934
2029	695,000	102,639	797,639
2030	715,000	61,616	776,616
2031	60,000	19,156	79,156
2032	60,000	16,756	76,756
2033	60,000	14,281	74,281
2034	65,000	11,731	76,731
2035	65,000	8,969	73,969
2036	70,000	6,125	76,125
2037	70,000	3,062	73,062
2038	-	-	-
	<u>\$ 34,569,306</u>	<u>\$ 11,630,447</u>	<u>\$ 46,199,753</u>

The County received loans from the Department of Housing and Community Development, a state agency, which were used by an agent to construct housing for low-income families (the Dayspring Townhomes project). Development, construction and equipping of the project was financed in part by a long-term mortgage in the amount of \$2,530,583 (as of June 30, 2011) 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

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

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 January 22, 2002, the County executed a promissory note to the Maryland Department of Business and Economic Development in the amount of \$160,000 to enable the County to finance the creation of a Business Development and Support Center. The note is interest-free, and repayment of the loan shall be forgiven if the Center is operated as required until the maturity date in 2012.

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 35 percent federal subsidy on the total interest payments. The interest is paid to the County on a semi annual 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 \$1,826,458 through the fiscal year ended June 30, 2030.

On May 19, 2011, the County issued its "Public Improvement Refunding Bonds of 2011" in the amount of \$3,736,000 to currently refund its outstanding Public Improvement Bond of 2001, in order to take advantage of lower interest rates. As a result of the refunding, the County reduced its total debt service requirements by approximately \$142,282, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$140,957.

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**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 10 - 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

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**8. Retirement Plans (continued)**

**Caroline County, Employees' Pension Plan**

Plan description

All of the County's permanent employees who work at least 20 hours a week (excluding Library and Board of Education employees, and elected and certain appointed officials) participate in the above-titled plan, which is a single-employer, defined benefit plan. The 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 403 South 7<sup>th</sup> Street in Denton, Maryland. The plan does not issue a separate, audited GAAP-basis pension plan report.

All employees are eligible to participate in the Plan immediately upon employment (appointed officials upon the 5<sup>th</sup> year of their anniversary date of employment). 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). Employees hired prior to September 16, 1997 are 100% vested with five years of service. Employees may retire when they have 30 years of service (25 years for police and public safety employees), or when they reach age 62 and have 5 years of service, and receive benefits equal to the following formula: 1.6% of the participant's final average earnings multiplied by the participant's years of credited service.

A member may retire with reduced benefits after attaining age 55 with 20 years of service or age 60 with 10 years of service. Police and public safety officers may retire early after age 50 and 20 years of service. Also, the pension plan provides for certain death benefits.

Related party investments

During the fiscal year, and as of June 30, 2011, the Plan held no securities issued by the County or other related entities.

Funding policy

The County pays for the total cost of the Plan; no contributions are required of members. The County is required to contribute at an actuarially determined rate, using the entry age normal cost funding method, applied on an aggregate basis; the current rate is 13.71% of annual covered payroll.

Funding status and progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 72.02% funded. The actuarial accrued liability was \$19,709,260 and the actuarial value of assets was \$14,195,237, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,514,023, equal to 77.64% of annual covered payroll. The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**8. Retirement Plans (continued)**

**Caroline County, Maryland Employees' Pension Plan (continued)**

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the PERS (Public Employees Retirement System) for the current year were as follows:

Annual required contribution (ARC)	\$ 934,567
Interest on net pension obligation	(232,345)
Adjustment to required annual contribution	<u>258,523</u>
 Annual pension cost	 960,745
Contributions made	<u>(775,000)</u>
 Decrease in net pension obligation/excess contribution	 185,745
Net pension obligation at beginning of year	<u>(3,097,934)</u>
 Net pension obligation at end of year	 <u><u>\$ (2,912,189)</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2010, actuarial valuation using the entry age normal cost funding method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, using a closed period, level dollar amortization method. The remaining amortization period at July 1, 2010, was 25 years.

Trend information

Historical trend information for the County PERS is presented below:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 1,041,472	152.36%	\$ (3,166,531)
2010	\$ 846,597	91.90%	\$ (3,097,934)
2011	\$ 960,745	80.67%	\$ (2,912,189)

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**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 agent 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% (4% for LEOPS) of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ended June 30, 2010 of 20.25% of covered payroll, is established by annual actuarial valuations.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**8. Retirement Plans (continued)**

Employers' payroll covered under the plans

	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/09</u>
<u>Payroll covered under plans:</u>			
County	\$ 7,101,829	\$ 7,191,321	\$ 8,541,792
Board of Education	38,007,682	37,664,864	35,427,815
Library	729,425	861,495	940,246
<u>Pension contribution:</u>			
County:			
On behalf by state	0	0	8,887
By county	775,000	778,000	1,500,000
Board of Education:			
On behalf by state	4,903,330	4,449,995	3,696,533
By board	727,518	602,357	495,971
Percentage of ARC contributed	86%	84%	100%
Library:			
On behalf by state	139,375	128,403	106,118
Percentage of ARC contributed	86%	84%	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 12% 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 \$60,706 for the year ended June 30, 2011.

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 \$31,335 to this plan for the year ended June 30, 2011.

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, 2011

**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, 2010, the date of the last actuarial valuation, approximately 42 retirees and their beneficiaries were receiving benefits, and an estimated 198 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, 2011, the County paid for coverage for 42 retirees at a total cost of \$150,130. In addition, the County funded the Trust in the amount of \$50,000 during the year ended June 30, 2011.

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 with 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, 2011

**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	\$ 474,338
Interest on net OPEB obligation	(192,445)
Adjustment to Annual Required Contribution	<u>227,914</u>
Annual OPEB Cost (expense)	509,807
Contributions made	<u>(366,731)</u>
Increase in net OPEB obligation	143,076
Net OPEB obligation - beginning of year	<u>(2,960,687)</u>
Net OPEB obligation - end of year	<u>\$ (2,817,611)</u>

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>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 723,385	552.40%	\$ (3,272,620)
6/30/10	\$ 540,830	42.32%	\$ (2,960,687)
6/30/11	\$ 509,807	71.94%	\$ (2,817,611)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$7,779,640, and the actuarial value of assets was \$4,046,468, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,733,172. The covered payroll (annual payroll of active employees covered by the plan) was \$8,494,413, and the ratio of the UAAL to the covered payroll was 43.95 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, 2011

**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, 2010 actuarial valuation, the entry age normal cost, level dollar actuarial method was used. The actuarial assumptions included a 6.5 percent investment rate of return. The projected annual healthcare cost trend rate is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years. The UAAL is being amortized over a closed period of 25 years from July 1, 2010.

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 April 1, 2009, the date of the last actuarial valuation, approximately 285 retirees and their beneficiaries were receiving benefits, and an estimated 637 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 teachers who are under 65 years old and retired after July 1, 1977 with five years service in Caroline County and classified employees who are under 65 years old 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  
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**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, 2011, the Board paid for coverage of 294 retirees at a total cost to the Board of \$1,506,895.

For the year ended June 30, 2011, retirees contributed \$181 thousand, or 3% of the total premium and benefits cost of \$6 million. 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.

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, 2011

**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 Contributions (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 \$8,726,415. 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	\$ 6,029,000
Adjustment to annual required contribution	<u>3,000</u>
Annual OPEB cost	6,032,000
Payments to retirees from general fund	(1,506,895)
Prefunding contributions	<u>(331,911)</u>
Increase in net OPEB obligation	4,193,194
Net OPEB obligation at beginning of year	<u>8,726,415</u>
Net OPEB obligation at end of year	<u>\$ 12,919,609</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 5,534,000	24.47%	\$ 4,179,911
June 30, 2010	\$ 6,032,000	24.63%	\$ 8,726,415
June 30, 2011	\$ 6,032,000	30.48%	\$12,919,609

Funding Status and Funding Progress

As of April 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$75 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$74.9 million. The annual payroll of active employees covered by the Plan was \$38 million and the ratio of the UAAL to covered payroll was 50.3%. As of June 30, 2011, there were \$429 thousand in net assets.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**9. Other postemployment benefits (continued)**

Board of Education of Caroline County (continued)

Actuarial Methods and Assumptions

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

In the April 1, 2009 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 8% initially, reduced by decrements to an ultimate rate of 4.1%. The UAAL is being amortized over twenty-five years based on a level percentage of projected payrolls.

**10. Fiduciary segment information**

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

	Employees' Pension Plan	Employee Benefit Trusts			Totals
		LOSAP	OPEB Trust	Retiree Health Care	
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 216,336	\$ 541,806	\$ 143,568	\$ 48,801	\$ 950,511
Investments at fair value:					
Fixed income	5,858,924	-	3,892,462	-	9,751,386
Common stocks	1,445,235	-	-	-	1,445,235
Equity funds	7,356,470	-	-	-	7,356,470
Total investments at fair value	14,660,629	-	3,892,462	-	18,553,091
Total assets	14,876,965	541,806	4,036,030	48,801	19,503,602
<u>LIABILITIES:</u>					
Accounts payable	-	-	-	-	-
Due to other funds	-	25,988	-	-	25,988
Due to participants	-	-	-	-	-
Total liabilities	-	25,988	-	-	25,988
<u>NET ASSETS:</u>					
Held in trust for participants	\$ 14,876,965	\$ 515,818	\$ 4,036,030	\$ 48,801	\$ 19,477,614

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**10. Fiduciary segment information** (continued)

	Employee Benefit Trusts				<u>Totals</u>
	<u>Pension Plan</u>	<u>LOSAP</u>	<u>OPEB Trust</u>	<u>Retiree Health Care</u>	
Additions:					
Contributions:					
Plan sponsor	\$ 775,000	\$ -	\$ 50,000	\$ 118,164	\$ 943,164
Employee	-	-	-	49,464	49,464
Unrealized appreciation in asset value	1,956,683	-	43,408	-	2,000,091
Interest, dividends and gains	<u>617,716</u>	<u>7,611</u>	<u>125,307</u>	<u>95</u>	<u>750,729</u>
Total additions	<u>3,349,399</u>	<u>7,611</u>	<u>218,715</u>	<u>167,723</u>	<u>3,743,448</u>
Deductions:					
Benefits paid	1,377,039	102,533	-	150,130	1,629,702
Transfers out	-	-	189,921	-	189,921
Administrative fees	45,569	-	11,823	30,824	88,216
Net realized loss on sale of securities	<u>-</u>	<u>-</u>	<u>27,409</u>	<u>-</u>	<u>27,409</u>
Total deductions	<u>1,422,608</u>	<u>102,533</u>	<u>229,153</u>	<u>180,954</u>	<u>1,935,248</u>
Change in net assets	1,926,791	(94,922)	(10,438)	(13,231)	1,808,200
Net assets, beginning of year	<u>12,950,174</u>	<u>610,740</u>	<u>4,046,468</u>	<u>62,032</u>	<u>17,669,414</u>
Net assets, end of year	<u>\$ 14,876,965</u>	<u>\$ 515,818</u>	<u>\$ 4,036,030</u>	<u>\$ 48,801</u>	<u>\$ 19,477,614</u>

**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, 2011 totaled \$100,716. These leases expire at various dates through 2016.

At June 30, 2011, the County has contractual agreements requiring the following annual rental payments:

Fiscal Year Ending June 30,

2012	\$ 34,449
2013	23,720
2014	8,498
2015	3,084
2016	<u>2,056</u>
	<u>\$ 71,807</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**11. Leases (continued)**

Excluding Board of Education (continued)

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 \$1,142.42 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, 2011 were \$13,705.

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

Fiscal Year Ending June 30.

2012	\$ 13,704
2013	\$ 13,704
2014	\$ 13,704
2015	\$ 13,704
2016	\$ 13,704

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, 2011 consist of the following:

Building lease, non-cancelable unless funds are not appropriated; interest at 5.1%; payable in annual installments of \$80,924, including interest through 2018	\$ 466,566
Energy equipment lease, interest at 4.78%; payable in semiannual installments of \$47,080, including interest through 2017	520,795
Vehicle lease, including interest at 4.9%; payable in semiannual installments of \$39,887, including interest through 2012	38,934
Vehicle lease, interest at 5%; payable in semiannual installments of \$38,289, including interest through 2012	109,448
Vehicle lease, interest at 6.5%; payable in monthly installments of \$623 through July 2010 and \$912 through July 2011, including interest through 2011	907

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
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**11. Leases (continued)**

Board of Education (continued)

Vehicle lease, interest at 6.35%; payable in monthly installments of \$876 through July 2011 and \$729 through July 2012, including interest through 2012	\$ 9,282
Vehicle lease, interest at 6.4%; payable in monthly installments of \$803 through August 2012 and \$1,114 through August 2013, including interest through 2012	22,115
Energy equipment, interest at 3.816%; payable in annual installments ranging from \$209,000 to \$470,000 through August 2025	<u>3,559,881</u>
	<u>\$ 4,727,928</u>

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

Years Ending June 30,

2012	\$ 646,642
2013	436,271
2014	395,859
2015	422,257
2016	434,996
2017 -2025	<u>3,870,879</u>
	6,206,904
Less amounts representing interest	<u>(1,478,976)</u>
Present value of net minimum lease payments	<u>\$ 4,727,928</u>

Interest expense on the above capital leases was approximately \$69,500 for the year ended June 30, 2011.

The following is a summary of the changes in capital leases for the year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2011</u>
Capital leases	<u>\$ 1,441,523</u>	<u>\$ 3,589,456</u>	<u>\$ (303,051)</u>	<u>\$ 4,727,928</u>

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$5,867,480 and the related accumulated depreciation was \$908,548 at June 30, 2011.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**11. Leases (continued)**

Board of Education (continued)

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:

Fiscal year ending June 30,

2012	\$ 150,000
2013	\$ 113,000
2014	\$ 18,000
2015	\$ 6,000
2016	\$ 0

Rent expense under these leases totaled approximately \$587,000 for the year ended June 30, 2011.

**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 ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 16% as a recommended conservative reserve. All funds held by ESMEC are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

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

In March 1996, the County stopped collecting trash for the Hobbs Road landfill. Maryland Environmental Service has estimated the County's share of the costs to close this landfill and to provide postclosure care, in compliance with state regulations, for 30 years thereafter at \$2,271,148. The current costs of closure and postclosure care are estimates and are subject to change resulting from inflation/deflation, technology or changes in applicable laws or regulations. These costs are subject to annual evaluation. 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.

**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 Emergency Management Grant Fund had revenues equal to expenditures of \$289,059 for the year ended June 30, 2011 and ended the year with an ending fund balance deficit of \$1,130.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**16. Subsequent events**

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 9, 2011, the date of these financial statements were available to be issued.



# Required Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes – property:				
Real and personal property, net	\$ 23,647,000	\$ 23,647,000	\$ 23,583,341	\$ (63,659)
Penalties, interest and fees	<u>250,000</u>	<u>250,000</u>	<u>308,743</u>	<u>58,743</u>
Total taxes - property	<u>23,897,000</u>	<u>23,897,000</u>	<u>23,892,084</u>	<u>(4,916)</u>
Taxes – income	<u>10,300,000</u>	<u>10,300,000</u>	<u>10,627,737</u>	<u>327,737</u>
Taxes – other local:				
Recordation	1,200,000	1,200,000	1,134,102	(65,898)
Franchise tax	136,000	136,000	136,400	400
Mobile home	<u>82,000</u>	<u>82,000</u>	<u>78,935</u>	<u>(3,065)</u>
Total taxes – other local	<u>1,418,000</u>	<u>1,418,000</u>	<u>1,349,437</u>	<u>(68,563)</u>
Taxes – state-shared:				
Highway users	<u>117,355</u>	<u>117,355</u>	<u>271,553</u>	<u>154,198</u>
Licenses and permits:				
Liquor	60,000	60,000	59,251	(749)
Traders license	25,000	25,000	23,987	(1,013)
Building permits	105,000	105,000	89,820	(15,180)
Other	<u>17,500</u>	<u>17,500</u>	<u>11,533</u>	<u>(5,967)</u>
Total licenses and permits	<u>207,500</u>	<u>207,500</u>	<u>184,591</u>	<u>(22,909)</u>
Intergovernmental revenue:				
Grants from federal government:				
Emergency management	57,064	57,064	16,850	(40,214)
MDA soil conservation grant	55,551	55,551	54,684	(867)
Other federal grants	1,000	1,000	5,436	4,436
Temporary food assistance	5,000	5,000	11,766	6,766
MFS Soil conservation	43,206	43,206	-	(43,206)
CZM planning grant	18,168	18,168	-	(18,168)
Floodplain & storm water grant	22,955	22,955	26,486	3,531
EPA Upper Choptank Watershed	<u>13,800</u>	<u>13,800</u>	<u>13,059</u>	<u>(741)</u>
Total grants from federal government	<u>216,744</u>	<u>216,744</u>	<u>128,281</u>	<u>(88,463)</u>

See Independent Auditor's Report.

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

YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final budget</u>
<u>Revenues (continued):</u>				
Grants from state government:				
Equity grant	\$ 2,131,782	\$ 2,131,782	\$ 2,131,782	\$ -
Police protection	109,400	109,400	107,710	(1,690)
Tobacco and Teen Court	52,870	52,870	50,753	(2,117)
Family services grant	155,317	155,317	138,944	(16,373)
Recreation and culture	10,000	10,000	(1,330)	(11,330)
Fire companies	208,976	208,976	206,536	(2,440)
Other	<u>197,985</u>	<u>197,985</u>	<u>197,417</u>	<u>(568)</u>
Total grants from state government	<u>2,866,330</u>	<u>2,866,330</u>	<u>2,831,812</u>	<u>(34,518)</u>
Other Grants:				
School Resource Officer Grant	140,000	140,000	135,403	(4,597)
Other Grants	<u>-</u>	<u>-</u>	<u>4,207</u>	<u>4,207</u>
Total other grants	<u>140,000</u>	<u>140,000</u>	<u>139,610</u>	<u>(390)</u>
Charges for services:				
General government	79,294	79,294	158,217	78,923
Public safety	437,648	437,648	334,408	(103,240)
Public works	156,600	156,600	105,066	(51,534)
Recreation charges	74,600	74,600	60,086	(14,514)
Health	57,500	57,500	50,645	(6,855)
Weed control	<u>10,000</u>	<u>10,000</u>	<u>14,356</u>	<u>4,356</u>
Total charges for services	<u>815,642</u>	<u>815,642</u>	<u>722,778</u>	<u>(92,864)</u>
Miscellaneous revenues:				
Interest	22,410	22,410	6,845	(15,565)
Rents	84,744	84,744	74,693	(10,051)
Municipal infrastructure	15,343	15,343	22,753	7,410
Other	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total miscellaneous revenues	<u>122,497</u>	<u>122,497</u>	<u>104,391</u>	<u>(18,106)</u>
Total revenues - General Fund	<u>40,101,068</u>	<u>40,101,068</u>	<u>40,252,274</u>	<u>151,206</u>

See Independent Auditor's Report.

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

YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures:</u>				
General government:				
County commissioners	\$ 265,569	\$ 265,569	\$ 274,799	\$ (9,230)
Ethics commission	400	400	100	300
Administration and support	<u>252,790</u>	<u>252,790</u>	<u>243,648</u>	<u>9,142</u>
Judicial:				
Drug Court	64,999	64,999	56,715	8,284
Family services grant	172,042	172,042	155,456	16,586
Circuit Court	302,872	302,872	269,878	32,994
Orphan's Court	17,995	17,995	18,395	(400)
State's attorney	<u>672,309</u>	<u>672,309</u>	<u>649,843</u>	<u>22,466</u>
Total judicial	<u>1,230,217</u>	<u>1,230,217</u>	<u>1,150,287</u>	<u>79,930</u>
Elections	<u>406,630</u>	<u>406,630</u>	<u>403,296</u>	<u>3,334</u>
Tax Office	<u>276,625</u>	<u>276,625</u>	<u>263,494</u>	<u>13,131</u>
Office of Finance	<u>327,557</u>	<u>327,557</u>	<u>351,428</u>	<u>(23,871)</u>
Legal services	<u>182,179</u>	<u>182,179</u>	<u>184,058</u>	<u>(1,879)</u>
Office of Human Resources	<u>512,847</u>	<u>512,847</u>	<u>529,398</u>	<u>(16,551)</u>
Planning and codes administration	<u>768,358</u>	<u>768,358</u>	<u>704,294</u>	<u>64,064</u>
General services	<u>326,000</u>	<u>326,000</u>	<u>156,636</u>	<u>169,364</u>
Office of Technology	<u>405,085</u>	<u>405,085</u>	<u>360,390</u>	<u>44,695</u>
Total general government	<u>4,954,257</u>	<u>4,954,257</u>	<u>4,621,828</u>	<u>332,429</u>
Public safety:				
Sheriff's department	2,505,447	2,505,447	2,533,518	(28,071)
Courthouse security	270,940	270,940	230,980	39,960
School Resource Officer	187,933	187,933	181,220	6,713
Tobacco and Teen Court Program	54,100	54,100	50,917	3,183
Adult offender Comm. Service	32,000	32,000	30,720	1,280
Fire protection	1,308,086	1,308,086	1,305,500	2,586
Corrections	3,053,463	3,053,463	3,129,064	(75,601)
Emergency Services - admin.	227,848	227,848	223,101	4,747
Emergency Services - communicat.	1,221,034	1,221,034	1,144,689	76,345
Emergency Services - med services	2,110,123	2,110,123	2,196,606	(86,483)
Emergency Services - plan & risk mgr	128,581	128,581	121,570	7,011
Animal control	275,000	275,000	275,000	-
Liquor licensing	<u>17,170</u>	<u>17,170</u>	<u>11,931</u>	<u>5,239</u>
Total public safety	<u>11,391,725</u>	<u>11,391,725</u>	<u>11,434,816</u>	<u>(43,091)</u>

See Independent Auditor's Report.

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

YEAR ENDED JUNE 30, 2011

<u>Expenditures</u> (continued):	Budgeted Amounts		<u>Actual</u>	Variance with <u>Final budget</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Administration	\$ 487,204	\$ 487,204	\$ 457,708	\$ 29,496
Central shop	664,558	664,558	613,549	51,009
Solid waste disposal	541,497	541,497	524,523	16,974
Johnsongrass	74,465	74,465	71,734	2,731
Mosquito control	70,768	70,768	75,393	(4,625)
Roads	1,404,863	1,404,863	1,258,890	145,973
County buildings	535,660	535,660	507,927	27,733
Total public works	3,779,015	3,779,015	3,509,724	269,291
Health:				
Health Department	468,306	468,306	468,306	-
Other	71,845	71,845	71,845	-
Total health	540,151	540,151	540,151	-
Social services	131,362	131,362	138,028	(6,666)
Education:				
Primary education	12,415,902	12,415,902	12,415,902	-
Chesapeake College	1,455,791	1,455,791	1,455,791	-
Culinary school	2,500	2,500	2,500	-
Total education	13,874,193	13,874,193	13,874,193	-
Public library	1,100,000	1,100,000	1,100,000	-
Recreation and parks	829,147	829,147	754,991	74,156
Arts	5,000	5,000	5,000	-
Conservation of natural resources	331,668	331,668	313,233	18,435
Housing services	-	-	-	-
Housing rehabilitation	-	-	-	-
Economic development	242,850	242,850	242,850	-
Intergovernmental	3,100	3,100	3,090	10
Historical	-	-	-	-
Contingency	98,950	75,363	63,978	11,385
Town planning grants	8,500	8,500	8,500	-
Debt service:				
Principal	2,645,618	2,645,618	6,235,600	(3,589,982)
Interest	1,357,163	1,357,163	1,485,758	(128,595)
Total debt service	4,002,781	4,002,781	7,721,358	(3,718,577)
Total expenditures – General Fund	41,292,699	41,269,112	44,331,740	(3,062,628)

See Independent Auditor's Report.

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

YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Other financing (sources) uses:</u>				
Transfer in from Agricultural Preserv.	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ -
Transfer In from Basic Life Support	(562,000)	(562,000)	(601,955)	39,955
Transfer In from Educational Facilities	(100,000)	(100,000)	(100,000)	-
Transfer In from Public Works Enter.	(50,000)	(50,000)	(50,000)	-
Transfer Out to Capital Improvements	-	23,587	23,587	-
Transfer Out to Health and Public Services Enterprise fund	-	-	3,819	(3,819)
Proceeds from issuance of refunding debt	-	-	(3,736,000)	3,736,000
Transfer In from Capital Reserve	(450,000)	(450,000)	-	(450,000)
Transfer Out to 4-H Park	29,794	29,794	29,794	-
Transfer Out to Retiree Health	118,850	118,850	118,164	686
Transfer In from Other Postemployment Benefits	<u>(158,275)</u>	<u>(158,275)</u>	<u>(139,921)</u>	<u>(18,354)</u>
Total other financing (sources) uses – General Fund	<u>(1,191,631)</u>	<u>(1,168,044)</u>	<u>(4,472,512)</u>	<u>3,304,468</u>
Total expenditures and other financing (sources) uses	<u>40,101,068</u>	<u>40,101,068</u>	<u>39,859,228</u>	<u>241,840</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,046</u>	<u>\$ 393,046</u>

See Independent Auditor's Report.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

SCHEDULE OF FUNDING PROGRESS – CAROLINE COUNTY, MARYLAND EMPLOYEES’ PENSION PLAN

JUNE 30, 2011

<u>Valuation Date</u>	<u>Plan Assets</u> <sup>1</sup>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Payroll</u>	<u>Unfunded as a Percent of of Payroll</u>
July 1, 2010	\$ 14,195,237	\$ 19,709,260	\$ 5,514,023	72.02%	\$ 7,101,829 <sup>2</sup>	77.64%
July 1, 2009	\$ 14,016,282	\$ 17,363,359	\$ 3,347,077	80.72%	\$ 7,937,968 <sup>2</sup>	42.16%
July 1, 2008	\$ 13,583,409	\$ 18,425,556	\$ 4,842,147	73.72%	\$ 9,323,986 <sup>2</sup>	51.93%
July 1, 2007	\$ 11,904,279	\$ 16,976,810	\$ 5,072,531	70.12%	\$ 9,191,745 <sup>2</sup>	55.19%
July 1, 2006	\$ 9,897,605	\$ 15,409,505	\$ 5,511,900	64.23%	\$ 8,520,406 <sup>2</sup>	64.69%
July 1, 2005	\$ 7,917,091	\$ 13,514,678	\$ 5,597,587	58.58%	\$ 7,103,488 <sup>2</sup>	78.80%
July 1, 2004	\$ 7,326,327	\$ 11,593,642	\$ 4,267,315	63.19%	\$ 6,543,269 <sup>2</sup>	65.22%
July 1, 2003	\$ 7,082,092	\$ 10,295,609	\$ 3,213,517	68.79%	\$ 6,397,204 <sup>2</sup>	50.23%
July 1, 2002	\$ 6,737,744	\$ 8,157,363	\$ 1,419,619	82.60%	\$ 5,520,419	25.72%

See Independent Auditor’s Report.

1 Assets are valued at actuarial assets.

2 Includes payroll of employees with less than one year’s service who are excluded from valuation.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS –  
 CAROLINE COUNTY, MARYLAND EMPLOYEES' PENSION PLAN

JUNE 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Shortfall/ (Excess)</u>
2000	\$ 281,642	\$ 450,000	\$ (168,358)
2001	\$ 245,588	\$ 400,000	\$ (154,412)
2002	\$ 297,449	\$ 380,000	\$ (82,551)
2003	\$ 430,436	\$ 500,000	\$ (69,564)
2004	\$ 602,272	\$ 570,000	\$ 32,272
2005	\$ 740,178	\$ 667,200	\$ 72,978
2006	\$ 902,230	\$ 2,000,000	\$ (1,097,770)
2007	\$ 985,884	\$ 1,500,000	\$ (514,116)
2008	\$ 1,007,677	\$ 1,500,000	\$ (492,323)
2009	\$ 998,878	\$ 1,586,832 <sup>1</sup>	\$ (587,954)
2010	\$ 788,301	\$ 778,000	\$ 10,301
2011	\$ 934,567	\$ 775,000	\$ 159,567

See Independent Auditor's Report.

<sup>1</sup> Includes \$387,832 sent to Maryland State LEOPS Plan in lieu of transfer from county plan for sworn officers' transferring on 07/01/09.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

The County's Other Postemployment Benefit Plan (OPEB Plan) is administered through the Caroline County Postemployment Benefits Trust Fund as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health coverage to current and eligible future retirees. Only County employees and their surviving spouses and dependents with at least 20 years of service with the County and entitled to receive retirement benefits, are eligible to receive post-retirement health insurance benefits under the subsidy schedule used in the July 1, 2010 valuation.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b-a]/c)</u>
7/1/2008	\$ 0	\$ 6,558,472	\$ 6,558,472	0%	\$ 8,541,792	76.78%
7/1/2009	\$ 3,844,551	\$ 7,435,042	\$ 3,590,491	51.71%	\$ 8,577,564	41.86%
7/1/2010	\$ 4,046,468	\$ 7,779,640	\$ 3,733,172	54.43%	\$ 8,494,413	43.95%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Employer Contributions</u>	<u>Required Contributions</u>	<u>Percentage Contributed</u>
6/30/2009	\$ 3,996,005	\$ 723,385	552%
6/30/2010	\$ 228,897	\$ 497,271	46.03%
6/30/2011	\$ 366,731	\$ 474,338	77.31%

See Independent Auditor's Report.

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011

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 Equitable Sharing Task Force, OJP Grant Law Enforcement, Dayspring Townhomes, MEAF Revolving Loan, Revolving Loan, Development Rights Special Revenue Funds. The budgetary financial schedules included in required supplementary information include only 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, 2011.



# Other Supplementary Information

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2011

Special Revenue Funds

	Equitable Sharing Task Force	Dog Licenses	State Agricultural Land Preservation	Critical Area Forestry	OJP Grant Law Enforcement	MEAF Revolving Loan
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 452	\$ 370	\$ 207,966	\$ 11,190	\$ 3,613	\$ 135,435
Accounts receivable	-	-	-	-	11,241	15,456
Other assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 452</b>	<b>\$ 370</b>	<b>\$ 207,966</b>	<b>\$ 11,190</b>	<b>\$ 14,854</b>	<b>\$ 150,891</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 452	\$ 370	\$ -	\$ -	\$ 1,273	\$ -
Due to other funds	-	-	-	-	13,321	-
Due to other governments	-	-	66,952	-	-	-
Deferred revenues	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>452</b>	<b>370</b>	<b>66,952</b>	<b>-</b>	<b>14,594</b>	<b>-</b>
<b>Fund balances:</b>						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	260	150,891
Committed	-	-	141,014	11,190	-	-
Assigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>141,014</b>	<b>11,190</b>	<b>260</b>	<b>150,891</b>
<b>Total liabilities and fund balances</b>	<b>\$ 452</b>	<b>\$ 370</b>	<b>\$ 207,966</b>	<b>\$ 11,190</b>	<b>\$ 14,854</b>	<b>\$ 150,891</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

	<u>Special Revenue Funds</u>					
	<u>Commissary Account</u>	<u>4-H Park</u>	<u>Drug Task Force</u>	<u>Local Agricultural Land Preservation</u>	<u>Dayspring Townhomes</u>	<u>CDBG</u>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 13,853	\$ 4,559	\$ 225,427	\$ 40,186	\$ 57,439	\$ -
Accounts receivable	14,024	2,747	-	-	4,808	24,830
Other assets	-	-	-	-	599,690	-
<b>Total assets</b>	<b><u>\$ 27,877</u></b>	<b><u>\$ 7,306</u></b>	<b><u>\$ 225,427</u></b>	<b><u>\$ 40,186</u></b>	<b><u>\$ 661,937</u></b>	<b><u>\$ 24,830</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 10,826	\$ 2,101	\$ 2,323	\$ -	\$ 14,651	\$ 3,145
Due to other funds	-	-	19,935	-	-	21,685
Due to other governments	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Other liabilities	-	-	-	-	23,418	-
<b>Total liabilities</b>	<b><u>10,826</u></b>	<b><u>2,101</u></b>	<b><u>22,258</u></b>	<b><u>-</u></b>	<b><u>38,069</u></b>	<b><u>24,830</u></b>
<b>Fund balances:</b>						
Non-spendable	-	-	-	-	-	-
Restricted	17,051	-	203,169	-	623,868	-
Committed	-	-	-	40,186	-	-
Assigned	-	5,205	-	-	-	-
<b>Total fund balances</b>	<b><u>17,051</u></b>	<b><u>5,205</u></b>	<b><u>203,169</u></b>	<b><u>40,186</u></b>	<b><u>623,868</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 27,877</u></b>	<b><u>\$ 7,306</u></b>	<b><u>\$ 225,427</u></b>	<b><u>\$ 40,186</u></b>	<b><u>\$ 661,937</u></b>	<b><u>\$ 24,830</u></b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

Special Revenue Funds

	<u>Law Library</u>	<u>Revolving Loan Fund</u>	<u>Forest Conservation</u>	<u>Emergency Management Grant</u>	<u>Development Rights</u>	<u>Summerfest</u>	<u>Business and Tech. Park</u>
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 77,778	\$ 42,934	\$ 28,448	\$ -	\$ -	\$ 16,010	\$ 73,332
Accounts receivable	2,375	165,252	-	189,974	-	-	-
Other assets	-	-	-	-	-	634	-
<b>Total assets</b>	<b>\$ 80,153</b>	<b>\$ 208,186</b>	<b>\$ 28,448</b>	<b>\$ 189,974</b>	<b>\$ -</b>	<b>\$ 16,644</b>	<b>\$ 73,332</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 2,765	\$ -	\$ 453	\$ 80,408	\$ -	\$ 82	\$ 239
Due to other funds	5,017	-	-	110,696	-	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	11,265	-
Other liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>7,782</b>	<b>-</b>	<b>453</b>	<b>191,104</b>	<b>-</b>	<b>11,347</b>	<b>239</b>
<b>Fund balances:</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted	72,371	208,186	-	(1,130)	-	-	-
Committed	-	-	27,995	-	-	-	-
Assigned	-	-	-	-	-	5,297	73,093
<b>Total fund balances (deficit)</b>	<b>72,371</b>	<b>208,186</b>	<b>27,995</b>	<b>(1,130)</b>	<b>-</b>	<b>5,297</b>	<b>73,093</b>
<b>Total liabilities and fund balances</b>	<b>\$ 80,153</b>	<b>\$ 208,186</b>	<b>\$ 28,448</b>	<b>\$ 189,974</b>	<b>\$ -</b>	<b>\$ 16,644</b>	<b>\$ 73,332</b>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

	Capital Projects <u>Fund</u>	
	Educational <u>Facilities</u>	<u>Totals</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 56,791	\$ 995,783
Accounts receivable	-	430,707
Other assets	-	600,324
	<hr/>	<hr/>
Total assets	<u>\$ 56,791</u>	<u>\$ 2,026,814</u>
<u>LIABILITIES AND FUND BALANCES:</u>		
Liabilities:		
Accounts payable	\$ -	\$ 119,088
Due to other funds	-	170,654
Due to other governments	-	66,952
Deferred revenues	-	11,265
Other liabilities	-	23,418
	<hr/>	<hr/>
Total liabilities	-	391,377
Fund balances:		
Non-spendable	-	-
Restricted	-	1,274,666
Committed	56,791	277,176
Assigned	-	83,595
	<hr/>	<hr/>
Total fund balances	<u>56,791</u>	<u>1,635,437</u>
Total liabilities and fund balances	<u>\$ 56,791</u>	<u>\$ 2,026,814</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

	Special Revenue Funds					
	Equitable Sharing Task Force	Dog Licenses	State Agricultural Land Preservation	Critical Area Forestry	OJP Grant Law Enforcement	MEAF Revolving Loan
Revenues:						
Taxes	\$ -	\$ -	\$ 127,320	\$ -	\$ -	\$ -
Licenses and permits	-	370	-	-	-	-
Intergovernmental revenues	-	-	-	-	18,830	-
Miscellaneous revenues	-	-	-	1,284	-	726
Total revenues	-	370	127,320	1,284	18,830	726
Expenditures:						
Public safety	-	-	-	-	20,899	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	7,022	370	-	1,304	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	7,022	370	-	1,304	20,899	-
Excess (deficiency) of revenues over expenditures	(7,022)	-	127,320	(20)	(2,069)	726
Other financing sources (uses):						
Transfers in (out)	-	-	(20,000)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(20,000)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,022)	-	107,320	(20)	(2,069)	726
Fund balances (deficit), beginning	7,022	-	33,694	11,210	2,329	150,165
Fund balances, ending	\$ -	\$ -	\$ 141,014	\$ 11,190	\$ 260	\$ 150,891

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

	Special Revenue Funds					
	Commissary Account	4-H Park	Drug Task Force	Local Agricultural Land Preservation	Dayspring Townhomes	Law Library
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 14,450	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-
Miscellaneous revenues	<u>180,010</u>	<u>8,972</u>	<u>83,764</u>	<u>-</u>	<u>296,401</u>	<u>9,466</u>
Total revenues	<u>180,010</u>	<u>8,972</u>	<u>83,764</u>	<u>14,450</u>	<u>296,401</u>	<u>9,466</u>
Expenditures:						
Public safety	-	-	79,473	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation and culture	-	37,781	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	9,588	-
Miscellaneous	188,920	-	-	27,209	245,371	30,992
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>188,920</u>	<u>37,781</u>	<u>79,473</u>	<u>27,209</u>	<u>254,959</u>	<u>30,992</u>
Excess (deficiency) of revenues over expenditures	<u>(8,910)</u>	<u>(28,809)</u>	<u>4,291</u>	<u>(12,759)</u>	<u>41,442</u>	<u>(21,526)</u>
Other financing sources (uses):						
Transfers in (out)	-	29,794	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>29,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(8,910)</u>	<u>985</u>	<u>4,291</u>	<u>(12,759)</u>	<u>41,442</u>	<u>(21,526)</u>
Fund balances (deficit), beginning	<u>25,961</u>	<u>4,220</u>	<u>198,878</u>	<u>52,945</u>	<u>582,426</u>	<u>93,897</u>
Fund balances, ending	<u>\$ 17,051</u>	<u>\$ 5,205</u>	<u>\$ 203,169</u>	<u>\$ 40,186</u>	<u>\$ 623,868</u>	<u>\$ 72,371</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>						
	<u>CDBG</u>	<u>Revolving Loan Fund</u>	<u>Forest Conservation</u>	<u>Emergency Management Grant</u>	<u>Development Rights</u>	<u>Summerfest</u>	<u>Business and Tech Park</u>
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	85,615	-	-	289,059	-	-	-
Miscellaneous revenues	-	7,031	500	-	-	37,605	-
Total revenues	<u>85,615</u>	<u>7,031</u>	<u>500</u>	<u>289,059</u>	<u>-</u>	<u>37,605</u>	<u>-</u>
Expenditures:							
Public safety	-	-	-	289,059	-	-	-
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	36,983	-
Economic development	71,636	-	-	-	341,468	-	-
Capital outlay	-	-	-	-	-	-	-
Miscellaneous	-	-	3,323	-	-	-	2,974
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>71,636</u>	<u>-</u>	<u>3,323</u>	<u>289,059</u>	<u>341,468</u>	<u>36,983</u>	<u>2,974</u>
Excess (deficiency) of revenues over expenditures	<u>13,979</u>	<u>7,031</u>	<u>(2,823)</u>	<u>-</u>	<u>(341,468)</u>	<u>622</u>	<u>(2,974)</u>
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	13,979	7,031	(2,823)	-	(341,468)	622	(2,974)
Fund balances (deficit), beginning	<u>(13,979)</u>	<u>201,155</u>	<u>30,818</u>	<u>(1,130)</u>	<u>341,468</u>	<u>4,675</u>	<u>76,067</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 208,186</u>	<u>\$ 27,995</u>	<u>\$ (1,130)</u>	<u>\$ -</u>	<u>\$ 5,297</u>	<u>\$ 73,093</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

	Capital Projects Fund	
	Educational Facilities	Totals
Revenues:		
Taxes	\$ 140,916	\$ 282,686
Licenses and permits	-	370
Intergovernmental revenues	-	393,504
Miscellaneous	-	625,759
Total revenues	<u>140,916</u>	<u>1,302,319</u>
Expenditures:		
Public safety	-	389,431
Public works	-	-
Health	-	-
Recreation and culture	-	74,764
Economic development	-	413,104
Capital outlay	-	9,588
Miscellaneous	-	507,485
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>-</u>	<u>1,394,372</u>
Excess (deficiency) of revenues over expenditures	<u>140,916</u>	<u>(92,053)</u>
Other financing sources (uses):		
Transfers in (out)	(100,000)	(90,206)
Proceeds from sale of capital assets	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(90,206)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	40,916	(182,259)
Fund balances (deficit), beginning	<u>15,875</u>	<u>1,817,696</u>
Fund balances, ending	<u>\$ 56,791</u>	<u>\$ 1,635,437</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2011

	<u>AGENCY</u>			
	<u>Town Property Tax Fund</u>	<u>State Property Tax Fund</u>	<u>DMV Tag Sales Fund</u>	<u>Tax Sale Proceeds Fund</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 139,631	\$ 61,663	\$ -	\$ 33,454
Taxes and other receivables	<u>26,057</u>	<u>9,895</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 165,688</u>	<u>\$ 71,558</u>	<u>\$ -</u>	<u>\$ 33,454</u>
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 33,271
Due to property owners	-	-	-	-
Due to other funds	-	-	-	183
Due to other governments	165,688	71,558	-	-
Due to participants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 165,688</u>	<u>\$ 71,558</u>	<u>\$ -</u>	<u>\$ 33,454</u>

<u>Public Drainage Association</u>	<u>Inmate Account</u>	<u>Confiscated Properties Fund</u>	<u>Home Builder Guaranty Fund</u>	<u>Hotel Rental Tax</u>	<u>Bay Restoration Fund</u>	<u>Totals</u>
\$ 357,367	\$ 15,512	\$ 26,757	\$ 150	\$ 2,608	\$ 19,088	\$ 656,230
-	-	-	-	-	-	35,952
<u>\$ 357,367</u>	<u>\$ 15,512</u>	<u>\$ 26,757</u>	<u>\$ 150</u>	<u>\$ 2,608</u>	<u>\$ 19,088</u>	<u>\$ 692,182</u>
\$ -	\$ -	\$ 26,757	\$ -	\$ 2,608	\$ -	\$ 62,636
357,367	-	-	-	-	-	357,367
-	-	-	-	-	-	183
-	-	-	150	-	19,088	256,484
-	15,512	-	-	-	-	15,512
<u>\$ 357,367</u>	<u>\$ 15,512</u>	<u>\$ 26,757</u>	<u>\$ 150</u>	<u>\$ 2,608</u>	<u>\$ 19,088</u>	<u>\$ 692,182</u>

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Town Property Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 130,552	\$ 5,229,239	\$ 5,220,160	\$ 139,631
Taxes and other receivables	<u>20,373</u>	<u>5,005,537</u>	<u>4,999,853</u>	<u>26,057</u>
Total assets	<u>\$ 150,925</u>	<u>\$ 10,234,776</u>	<u>\$ 10,220,013</u>	<u>\$ 165,688</u>
Liabilities:				
Due to other governments	<u>\$ 150,925</u>	<u>\$ 5,005,537</u>	<u>\$ 4,990,774</u>	<u>\$ 165,688</u>
Total liabilities	<u>\$ 150,925</u>	<u>\$ 5,005,537</u>	<u>\$ 4,990,774</u>	<u>\$ 165,688</u>
<b>State Property Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 59,299	\$ 2,940,158	\$ 2,937,794	\$ 61,663
Taxes and other receivables	<u>7,937</u>	<u>3,306,560</u>	<u>3,304,602</u>	<u>9,895</u>
Total assets	<u>\$ 67,236</u>	<u>\$ 6,246,718</u>	<u>\$ 6,242,396</u>	<u>\$ 71,558</u>
Liabilities:				
Due to other governments	<u>\$ 67,236</u>	<u>\$ 3,306,560</u>	<u>\$ 3,302,238</u>	<u>\$ 71,558</u>
Total liabilities	<u>\$ 67,236</u>	<u>\$ 3,306,560</u>	<u>\$ 3,302,238</u>	<u>\$ 71,558</u>
<b>DMV Tag Sales Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 13,765</u>	<u>\$ 339,911</u>	<u>\$ 353,676</u>	<u>\$ -</u>
Total assets	<u>\$ 13,765</u>	<u>\$ 339,911</u>	<u>\$ 353,676</u>	<u>\$ -</u>
Liabilities:				
Due to other governments	<u>\$ 13,765</u>	<u>\$ 339,911</u>	<u>\$ 353,676</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,765</u>	<u>\$ 339,911</u>	<u>\$ 353,676</u>	<u>\$ -</u>
<b>Tax Sale Proceeds Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 110,585</u>	<u>\$ 1,158,172</u>	<u>\$ 1,235,303</u>	<u>\$ 33,454</u>
Total assets	<u>\$ 110,585</u>	<u>\$ 1,158,172</u>	<u>\$ 1,235,303</u>	<u>\$ 33,454</u>
Liabilities:				
Accounts payable	\$ 110,186	\$ 1,157,989	\$ 1,234,904	\$ 33,271
Due to other funds	<u>399</u>	<u>183</u>	<u>399</u>	<u>183</u>
Total liabilities	<u>\$ 110,585</u>	<u>\$ 1,158,172</u>	<u>\$ 1,235,303</u>	<u>\$ 33,454</u>

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

AGENCY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Public Drainage Association:</b>				
Assets:				
Cash and cash equivalents	\$ 348,186	\$ 114,942	\$ 105,761	\$ 357,367
Total assets	<u>\$ 348,186</u>	<u>\$ 114,942</u>	<u>\$ 105,761</u>	<u>\$ 357,367</u>
Liabilities:				
Due to property owners	\$ 348,186	\$ 114,942	\$ 105,761	\$ 357,367
Total liabilities	<u>\$ 348,186</u>	<u>\$ 114,942</u>	<u>\$ 105,761</u>	<u>\$ 357,367</u>
<b>Inmate Account:</b>				
Assets:				
Cash and cash equivalents	\$ 3,223	\$ 164,327	\$ 152,038	\$ 15,512
Total assets	<u>\$ 3,223</u>	<u>\$ 164,327</u>	<u>\$ 152,038</u>	<u>\$ 15,512</u>
Liabilities:				
Due to participants	\$ 3,223	\$ 164,327	\$ 152,038	\$ 15,512
Total liabilities	<u>\$ 3,223</u>	<u>\$ 164,327</u>	<u>\$ 152,038</u>	<u>\$ 15,512</u>
<b>Confiscated Properties Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 42,476	\$ 24,351	\$ 40,070	\$ 26,757
Total assets	<u>\$ 42,476</u>	<u>\$ 24,351</u>	<u>\$ 40,070</u>	<u>\$ 26,757</u>
Liabilities:				
Accounts payable	\$ 42,476	\$ 24,351	\$ 40,070	\$ 26,757
Total liabilities	<u>\$ 42,476</u>	<u>\$ 24,351</u>	<u>\$ 40,070</u>	<u>\$ 26,757</u>
<b>Home Builder Guaranty Fund</b>				
Assets:				
Cash and cash equivalents	\$ 150	\$ 1,950	\$ 1,950	\$ 150
Total assets	<u>\$ 150</u>	<u>\$ 1,950</u>	<u>\$ 1,950</u>	<u>\$ 150</u>
Liabilities:				
Due to other governments	\$ 150	\$ 1,950	\$ 1,950	\$ 150
Total liabilities	<u>\$ 150</u>	<u>\$ 1,950</u>	<u>\$ 1,950</u>	<u>\$ 150</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Hotel Rental Tax:</b>				
Assets:				
Cash and cash equivalents	\$ 4,800	\$ 31,829	\$ 34,021	\$ 2,608
Taxes and other receivables	-	-	-	-
Total assets	<u>\$ 4,800</u>	<u>\$ 31,829</u>	<u>\$ 34,021</u>	<u>\$ 2,608</u>
Liabilities:				
Accounts payable	\$ 4,800	\$ 31,829	\$ 34,021	\$ 2,608
Due to other governments	-	-	-	-
Total liabilities	<u>\$ 4,800</u>	<u>\$ 31,829</u>	<u>\$ 34,021</u>	<u>\$ 2,608</u>
<b>Bay Restoration Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 18,933	\$ 254,850	\$ 254,695	\$ 19,088
Total assets	<u>\$ 18,933</u>	<u>\$ 254,850</u>	<u>\$ 254,695</u>	<u>\$ 19,088</u>
Liabilities:				
Due to other governments	\$ 18,933	\$ 254,850	\$ 254,695	\$ 19,088
Total liabilities	<u>\$ 18,933</u>	<u>\$ 254,850</u>	<u>\$ 254,695</u>	<u>\$ 19,088</u>
<b>Total Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 731,969	\$ 10,259,729	\$ 10,335,468	\$ 656,230
Taxes and other receivables	28,310	8,312,097	8,304,455	35,952
Total assets	<u>\$ 760,279</u>	<u>\$ 18,571,826</u>	<u>\$ 18,639,923</u>	<u>\$ 692,182</u>
Liabilities:				
Accounts payable	\$ 157,462	\$ 1,214,169	\$ 1,308,995	\$ 62,636
Due to property owners	348,186	114,942	105,761	357,367
Due to other funds	399	183	399	183
Due to other governments	251,009	8,908,808	8,903,333	256,484
Due to participants	3,223	164,327	152,038	15,512
Total liabilities	<u>\$ 760,279</u>	<u>\$ 10,402,429</u>	<u>\$ 10,470,526</u>	<u>\$ 692,182</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF NET ASSETS  
OTHER PROPRIETARY FUNDS

JUNE 30, 2011

	<u>Health and Public Services Fund</u>	<u>Recreation Programs</u>	<u>Public Works</u>	<u>Totals</u>
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 86,058	\$ 2,196	\$ 88,254
Accounts receivable	-	116,924	90,759	207,683
Prepaid expenses	-	1,000	-	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	-	203,982	92,955	296,937
Noncurrent assets:				
Capital assets, net	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	-	203,982	92,955	296,937
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable and accrued expenses	-	43,113	22,805	65,918
Due to other funds	-	-	-	-
Deferred revenue	-	10,823	-	10,823
Current portion of long-term debt	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	-	53,936	22,805	76,741
Noncurrent liabilities:				
Long-term debt	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	53,936	22,805	76,741
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	-	-	-	-
Unrestricted	-	150,046	70,150	220,196
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	\$ -	\$ 150,046	\$ 70,150	\$ 220,196
	<hr/>	<hr/>	<hr/>	<hr/>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
OTHER PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Health and Public Services Fund</u>	<u>Recreation Programs</u>	<u>Public Works</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ -	\$ 693,627	\$ 790,680	\$ 1,484,307
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>-</u>	<u>693,627</u>	<u>790,680</u>	<u>1,484,307</u>
Operating expenses:				
Personnel services	-	405,989	-	405,989
Operations and maintenance	-	213,743	755,518	969,261
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>-</u>	<u>619,732</u>	<u>755,518</u>	<u>1,375,250</u>
Operating income (loss)	<u>-</u>	<u>73,895</u>	<u>35,162</u>	<u>109,057</u>
Nonoperating revenues (expenses):				
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Capital withdrawals	(3,327,811)	-	-	(3,327,811)
Transfers in (out)	<u>3,819</u>	<u>-</u>	<u>(50,000)</u>	<u>(46,181)</u>
Change in net assets	(3,323,992)	73,895	(14,838)	(3,264,935)
Net assets, beginning of year	<u>3,323,992</u>	<u>76,151</u>	<u>84,988</u>	<u>3,485,131</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 150,046</u>	<u>\$ 70,150</u>	<u>\$ 220,196</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

COMBINING STATEMENT OF CASH FLOWS -  
OTHER PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	Health and Public Services Fund	Recreation Programs	Public Works	Totals
Cash flows from operating activities:				
Cash received from customers	\$ -	\$ 660,975	\$ 759,177	\$ 1,420,152
Cash paid to suppliers	(7,958)	(217,194)	(734,895)	(960,047)
Cash paid to employees	-	(405,989)	-	(405,989)
Net cash provided (used) by operating activities	(7,958)	37,792	24,282	54,116
Cash flows from noncapital financing activities:				
Transfers in (out)	3,819	-	(50,000)	(46,181)
Receipts (payments) from interfund loans	-	-	-	-
Net cash provided (used) by noncapital financing activities	3,819	-	(50,000)	(46,181)
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	-	-
Principal payments of long-term debt	-	-	-	-
Interest paid	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(4,139)	37,792	(25,718)	7,935
Cash and cash equivalents, beginning of year	4,139	48,266	27,914	80,319
Cash and cash equivalents, end of year	\$ -	\$ 86,058	\$ 2,196	\$ 88,254
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ -	\$ 73,895	\$ 35,162	\$ 109,057
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Increase in deposits on assets	-	-	-	-
(Increase) in accounts receivable	-	(30,076)	(31,503)	(61,579)
Decrease (increase) in prepaid expenses	-	(850)	-	(850)
Increase (decrease) in accounts payable	(7,958)	(2,601)	20,623	10,064
Increase (decrease) in deferred revenue	-	(2,576)	-	(2,576)
Net cash provided (used) by operating activities	\$ (7,958)	\$ 37,792	\$ 24,282	\$ 54,116

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND  
 YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental revenues	\$ 5,544,702	\$ 5,544,702	\$ 1,599,957	\$ (3,944,745)
Miscellaneous revenues	<u>29,108</u>	<u>29,108</u>	<u>6,335</u>	<u>(22,773)</u>
Total revenues	<u>5,573,810</u>	<u>5,573,810</u>	<u>1,606,292</u>	<u>(3,967,518)</u>
<u>Expenditures:</u>				
General government	3,090,500	3,090,500	104,536	2,985,964
Public safety	168,000	168,000	-	168,000
Public works	2,336,972	2,336,972	1,856,358	480,614
Primary education	3,338,495	3,338,495	1,082,598	2,255,897
Secondary education	-	-	-	-
Recreation and parks	688,226	688,226	51,780	636,446
Conservation of natural resources	29,108	29,108	300	28,808
Economic development	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>9,651,301</u>	<u>9,651,301</u>	<u>3,095,572</u>	<u>6,555,729</u>
Excess (deficiency) of revenues over expenditures	<u>(4,077,491)</u>	<u>(4,077,491)</u>	<u>(1,489,280)</u>	<u>2,588,211</u>
<u>Other financing sources (uses):</u>				
Transfers in (out)	50,000	50,000	23,587	(26,413)
Fund balance re-appropriated	43,096	43,096	-	(43,096)
Proceeds from issuance of debt	3,889,395	3,889,395	-	(3,889,395)
Proceeds from issuance of refunding debt	95,000	95,000	-	(95,000)
Proceeds from sale of capital assets	-	-	19,987	19,987
Bond premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,077,491</u>	<u>4,077,491</u>	<u>43,574</u>	<u>(4,033,917)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,445,706)</u>	<u>\$ (1,445,706)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL RESERVE FUND  
 YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes	\$ 376,210	\$ 376,210	\$ 341,573	\$ (34,637)
Miscellaneous revenues	-	-	1,763	1,763
Total revenues	<u>376,210</u>	<u>376,210</u>	<u>343,336</u>	<u>(32,874)</u>
<u>Expenditures:</u>				
General government	75,000	75,000	-	75,000
Public safety	64,000	64,000	59,778	4,222
Public works	62,018	62,018	47,678	14,340
Primary education	-	-	-	-
Recreation and parks	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>201,018</u>	<u>201,018</u>	<u>107,456</u>	<u>93,562</u>
Excess (deficiency) of revenues over expenditures	<u>175,192</u>	<u>175,192</u>	<u>235,880</u>	<u>60,688</u>
<u>Other financing sources (uses):</u>				
Fund balance re-appropriated	274,808	274,808	-	(274,808)
Transfers in (out)	(450,000)	(450,000)	-	450,000
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,880</u>	<u>\$ 235,880</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
 BUDGETARY COMPARISON SCHEDULE – EDUCATIONAL FACILITIES FUND  
 YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes	\$ 100,000	\$ 100,000	\$ 140,916	\$ 40,916
Total revenues	100,000	100,000	140,916	40,916
<u>Expenditures</u>				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	100,000	100,000	140,916	40,916
<u>Other financing sources (uses):</u>				
Transfers in (out)	(100,000)	(100,000)	(100,000)	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,916</u>	<u>\$ 40,916</u>

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

YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>4-H Park:</u>				
Revenues:				
Miscellaneous revenues	\$ 12,946	\$ 12,946	\$ 8,972	\$ (3,974)
Expenditures:				
Recreation and culture	42,740	42,740	37,781	4,959
Other financing sources(uses):				
Transfers in	29,794	29,794	29,794	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 985</u>
<u>Special Grants Program:</u>				
Revenues:				
Intergovernmental revenues	\$ 732,000	\$ 732,000	\$ -	\$ (732,000)
Expenditures:				
Economic development	732,000	732,000	-	732,000
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>CDBG:</u>				
Revenues:				
Intergovernmental revenues	\$ 160,000	\$ 160,000	\$ 85,615	\$ (74,385)
Expenditures:				
Economic development	160,000	160,000	71,636	88,364
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 13,979</u>
<u>Dog Licenses:</u>				
Revenues:				
Licenses and permits	\$ 400	\$ 400	\$ 370	\$ (30)
Expenditures:				
Miscellaneous	400	400	370	30
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Local Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 10,000	\$ 10,000	\$ 14,450	\$ 4,450
Expenditures:				
Miscellaneous	10,000	10,000	27,209	(17,209)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,759)</u>	<u>\$ (12,759)</u>
<u>State Agricultural Land Preservation:</u>				
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 127,320	\$ 97,320
Expenditures:				
Miscellaneous	10,000	10,000	-	10,000
Other financing sources(uses):				
Transfers out	(20,000)	(20,000)	(20,000)	\$ -
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,320</u>	<u>\$ 107,320</u>
<u>Commissary Account:</u>				
Revenues:				
Miscellaneous revenues	\$ 153,400	\$ 153,400	\$ 180,010	\$ 26,610
Expenditures:				
Miscellaneous	153,400	153,400	188,920	(35,520)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,910)</u>	<u>\$ (8,910)</u>

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

YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Law Library:</u>				
Revenues:				
Miscellaneous revenues	\$ 21,616	\$ 21,616	\$ 9,466	\$ (12,150)
Expenditures:				
Miscellaneous	21,616	21,616	30,992	(9,376)
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,526)</u>	<u>\$ (21,526)</u>
<u>Critical Area Forestry:</u>				
Revenues	\$ 2,000	\$ 2,000	\$ 1,284	\$ (716)
Expenditures	2,000	2,000	1,304	696
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (20)</u>
<u>Forest Conservation:</u>				
Revenues:				
Miscellaneous revenues	\$ 7,500	\$ 7,500	\$ 500	\$ (7,000)
Expenditures:				
Miscellaneous	7,500	7,500	3,323	4,177
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,823)</u>	<u>\$ (2,823)</u>
<u>Emergency Management Grant:</u>				
Revenues:				
Intergovernmental revenues	\$ 249,147	\$ 249,147	\$ 289,059	\$ 39,912
Expenditures:				
Public safety	249,147	249,147	289,059	(39,912)
Capital outlay	-	-	-	-
	<u>249,147</u>	<u>249,147</u>	<u>289,059</u>	<u>(39,912)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Drug Task Force:</u>				
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenues	49,150	49,150	83,764	34,614
Reappropriated fund balance	<u>42,483</u>	<u>42,483</u>	<u>-</u>	<u>(42,483)</u>
	<u>91,633</u>	<u>91,633</u>	<u>83,764</u>	<u>(7,869)</u>
Expenditures:				
Public safety	81,633	81,633	79,473	2,160
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	<u>91,633</u>	<u>91,633</u>	<u>79,473</u>	<u>12,160</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 4,291</u>
 <u>Summerfest Fund:</u>				
Revenues:				
Miscellaneous revenues	<u>\$ 44,882</u>	<u>44,882</u>	<u>37,605</u>	<u>(7,277)</u>
Expenditures:				
Recreation and culture	<u>44,882</u>	<u>44,882</u>	<u>36,983</u>	<u>7,899</u>
Other financing sources(uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 622</u>
 <u>Business &amp; Technology Park Fund:</u>				
Revenues:				
Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -
Reappropriated fund balance	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
Expenditures:				
Miscellaneous	<u>70,000</u>	<u>70,000</u>	<u>2,974</u>	<u>67,026</u>
Other financing sources(uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,974)</u>	<u>\$ (2,974)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY  
REVENUE AND EXPENDITURE DETAIL – HIGHWAY USERS  
YEAR ENDED JUNE 30, 2011

Revenue:	
State-shared taxes	<u>\$ 271,553</u>
Expenditures – public works:	
General administration	457,707
Central shop	613,549
Highways and roads	1,258,890
Debt service:	
Communications bond	60,103
Capital improvement bonds	186,489
General services	39,159
Capital road expenditures	<u>24,886</u>
Total expenditures – highway users	<u>2,640,783</u>
Excess (deficiency) of revenues over expenditures – highway users	<u>\$ (2,369,230)</u>

THE COUNTY COMMISSIONERS OF CAROLINE COUNTY

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

YEAR ENDED JUNE 30, 2011

<u>Budgeted line items:</u>	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance - Favorable (Unfavorable)</u>
		<u>Original</u>	<u>Final</u>	
Housing Coordinator	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
<u>Non-budgeted line items:</u>				
Dell - window servicers	\$ 5,630			
Court transcripts	218			
Court transcripts	866			
DHCD - Denton shirt factory grant	45,539			
Groen Steamer/CCDC	<u>5,725</u>			
	<u>57,978</u>	<u>92,950</u>	<u>69,363</u>	<u>11,385</u>
Total expenditures – Contingency Fund	<u>\$ 63,978</u>	<u>\$ 98,950</u>	<u>\$ 75,363</u>	<u>\$ 11,385</u>



# STATISTICAL SECTION

## STATISTICAL SECTION

This part of Caroline County's 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 county's overall financial health.

<u>Category</u>	<u>Schedule #'s</u>
<b>Financial Trends</b> Schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1, 2, 3 & 4
<b>Revenue Capacity</b> Schedules contain information to help the reader assess the County's most significant local revenue source, property taxes.	5, 6, 7 & 8
<b>Debt Capacity</b> Schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	9,10,11 & 12
<b>Economic and Demographic Information</b> Schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	13,14,& 15
<b>Operating Information</b> Schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides.	16,17,18&19

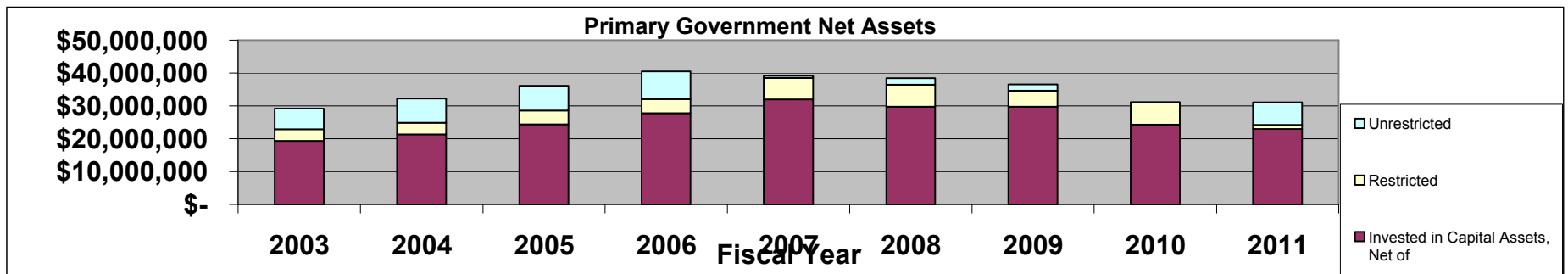
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB 34 in the 2002 fiscal year; schedules presenting government-wide information include information beginning in that year.

**Caroline County, Maryland**  
**Net Assets by Component**  
 Last Nine Years\*  
 (accrual basis of accounting)

**SCHEDULE 1**

<u>June 30,</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>									
Invested in Capital Assets, Net of Related Debt	\$ 19,060,139	\$ 21,024,865	\$ 24,037,880	\$ 27,382,148	\$ 31,588,073	\$ 28,997,031	\$ 28,997,508	\$ 20,726,884	\$ 22,611,390
Restricted for:									
Capital Projects	3,463,619	3,567,356	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
Unrestricted	<u>6,051,155</u>	<u>7,054,609</u>	<u>7,373,596</u>	<u>8,158,698</u>	<u>502,046</u>	<u>1,703,186</u>	<u>1,358,337</u>	<u>(33,962)</u>	<u>6,513,557</u>
<b>Total Government Activities Net Assets</b>	<b><u>\$28,574,913</u></b>	<b><u>\$31,646,830</u></b>	<b><u>\$ 35,667,711</u></b>	<b><u>\$ 39,926,993</u></b>	<b><u>\$ 38,629,442</u></b>	<b><u>\$ 37,355,324</u></b>	<b><u>\$ 35,192,376</u></b>	<b><u>\$ 27,344,435</u></b>	<b><u>\$ 30,401,341</u></b>
<b>Business-type Activities</b>									
Invested in Capital Assets, Net of Related Debt	\$ 328,687	\$ 335,063	\$ 341,437	\$ 357,812	\$ 379,187	\$ 788,442	\$ 786,170	\$ 3,633,900	\$ 335,514
Unrestricted	<u>238,317</u>	<u>240,179</u>	<u>177,069</u>	<u>178,731</u>	<u>159,179</u>	<u>351,383</u>	<u>610,117</u>	<u>211,922</u>	<u>334,353</u>
<b>Total Business-type Activities Net Assets</b>	<b><u>\$ 567,004</u></b>	<b><u>\$ 575,242</u></b>	<b><u>\$ 518,506</u></b>	<b><u>\$ 536,543</u></b>	<b><u>\$ 538,366</u></b>	<b><u>\$ 1,139,825</u></b>	<b><u>\$ 1,396,287</u></b>	<b><u>\$ 3,845,822</u></b>	<b><u>\$ 669,867</u></b>
<b>Primary Government</b>									
Invested in Capital Assets, Net of Related Debt	\$ 19,388,826	\$ 21,359,928	\$ 24,379,317	\$ 27,739,960	\$ 31,967,260	\$ 29,785,473	\$ 29,783,678	\$ 24,360,784	\$ 22,946,904
Restricted	3,463,619	3,567,356	4,256,235	4,386,147	6,539,323	6,655,107	4,836,531	6,651,513	1,276,394
Unrestricted	<u>6,289,472</u>	<u>7,294,788</u>	<u>7,550,665</u>	<u>8,337,429</u>	<u>661,225</u>	<u>2,054,569</u>	<u>1,968,454</u>	<u>177,960</u>	<u>6,847,910</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$29,141,917</u></b>	<b><u>\$32,222,072</u></b>	<b><u>\$ 36,186,217</u></b>	<b><u>\$ 40,463,536</u></b>	<b><u>\$ 39,167,808</u></b>	<b><u>\$ 38,495,149</u></b>	<b><u>\$ 36,588,663</u></b>	<b><u>\$ 31,190,257</u></b>	<b><u>\$ 31,071,208</u></b>

\*The County first began reporting on a full accrual basis in fiscal year ended June 03



**Caroline County, Maryland**  
**Changes in Net Assets**  
**Last Nine Years\***  
(accrual basis of accounting)

**Schedule 2**

Years ended June 30,	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>									
Government Activities:									
General Government	\$ 3,731,787	\$ 4,030,813	\$ 4,884,446	\$ 5,506,575	\$ 4,848,675	\$ 5,807,431	\$ 6,372,040	\$ 5,693,667	\$ 5,628,953
Public Safety-Sheriff	1,689,208	1,772,627	2,127,725	2,482,551	2,722,043	2,925,059	3,040,405	3,135,167	3,210,003
Public Safety-Fire	874,604	878,968	934,573	1,161,768	1,361,090	1,465,270	1,441,389	1,419,371	1,305,500
Public Safety-Emergency Medical**	572,735	720,231	1,643,895	2,009,432	2,174,170	2,306,443	2,358,771	-	-
Public Safety-Corrections	2,138,049	2,124,051	2,254,404	2,748,811	3,141,418	3,160,882	3,295,654	3,174,287	3,368,108
Public Safety-Emergency Management	970,790	1,480,186	2,141,734	2,395,692	2,309,015	2,444,843	2,532,553	4,775,513	4,860,287
Public Safety-Animal Control	201,412	212,510	217,351	217,189	280,344	300,290	319,067	255,222	275,370
Public Safety-Liquor Licensing	29,321	25,701	29,858	27,611	31,094	22,470	19,374	15,641	11,930
Public Works	4,566,680	4,836,799	5,752,137	5,636,041	5,876,260	5,964,220	5,870,164	5,277,671	4,908,094
Health	814,204	715,828	735,514	844,006	945,008	1,049,262	1,022,864	962,574	621,859
Social Services	468,947	558,120	274,835	836,128	1,364,045	1,369,703	1,251,541	1,141,037	1,267,129
Primary Education	11,215,787	11,283,611	11,690,348	11,963,391	15,456,631	14,641,010	13,103,740	16,619,350	13,498,500
Secondary Education	1,009,062	1,253,815	1,606,200	1,215,455	1,609,472	1,634,409	1,398,888	1,872,085	1,413,551
Recreation and Culture	627,407	637,375	715,164	836,065	918,560	1,147,308	1,371,773	1,203,622	1,153,486
Library	1,041,545	1,137,600	1,124,088	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000
Conservation of Natural	323,506	353,940	319,236	541,547	1,640,418	1,282,299	1,624,572	477,288	765,874
Economic Development	337,230	358,791	443,675	505,092	351,676	387,535	1,305,488	311,172	357,460
Public Housing	233,320	417,339	515,747	506,949	480,874	593,925	403,937	483,684	315,255
Interest on Long Term Debt	1,116,505	1,054,812	950,778	863,417	988,540	1,183,589	1,288,655	1,042,954	1,435,458
<b>Total Governmental Activities Expenses</b>	<u>31,962,099</u>	<u>33,853,117</u>	<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>
Business-type Activities:									
Broadband Supply	-	-	-	-	11,040	26,406	101,000	156,337	114,178
Interest on Long Term Debt -HAPS Building	188,100	183,026	177,581	172,013	166,073	159,761	153,203	147,446	-
Health and Public Service	247,673	236,678	253,870	274,685	293,033	329,295	314,953	334,437	-
Recreation	507,017	383,257	472,095	645,659	684,407	733,518	694,240	759,223	619,732
Public Works	205,388	217,870	304,154	508,587	611,436	804,193	585,571	581,872	755,518
Basic Life Support	956,572	990,643	255,212	316,915	364,825	410,995	382,184	542,224	517,036
<b>Total Business-type Activities Expense</b>	<u>2,104,750</u>	<u>2,011,474</u>	<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>
<b>Total Primary Government Expenses</b>	<u>34,066,849</u>	<u>35,864,591</u>	<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>

**Caroline County, Maryland**

Changes in Net Assets  
Last Nine Years\*

(accrual basis of accounting)

**Schedule 2**

<u>Years ended June 30,</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Program Revenues</b>									
Governmental Activities:									
General Government	\$ 337,355	\$ 191,170	\$ 362,058	\$ 333,377	\$ 585,852	\$ 550,340	\$ 595,842	\$ 791,199	\$ 745,765
Public Safety	1,443,213	1,806,334	3,014,093	2,176,836	2,398,251	2,166,655	2,238,088	1,563,683	1,591,734
Public Works	3,794,049	3,185,192	4,296,667	4,996,801	4,470,889	4,663,886	3,708,693	669,237	1,118,952
Health	69,178	37,961	33,638	29,219	-	37,557	33,082	44,993	48,413
Social Services	314,872	379,716	69,826	623,790	1,112,316	1,077,441	951,127	1,508,785	1,117,280
Recreation and Culture	359,670	318,802	329,391	299,351	865,305	1,034,659	827,335	197,013	900,348
Library	-	7,230	-	-	141,539	-	-	-	-
Conservation of Natural Resources	123,641	240,737	255,209	332,087	104,298	166,778	154,706	240,903	331,508
Economic Development	440,146	208,877	336,676	292,398	823,059	766,205	1,674,404	266,154	133,372
Public Housing	182,236	353,538	384,485	392,202	356,772	504,416	393,834	455,943	296,401
Interest	-	106,034	17,718	16,326	14,743	6,636	11,278	9,365	7,410
<b>Total Governmental Activities Program Revenues</b>	<u>7,064,360</u>	<u>6,835,591</u>	<u>9,099,761</u>	<u>9,492,387</u>	<u>10,873,024</u>	<u>10,974,573</u>	<u>10,588,389</u>	<u>5,747,275</u>	<u>6,291,183</u>
Business-type Activities:									
Charges for Service:									
Broadband	-	-	-	-	-	56,784	181,160	152,586	171,450
Health and Public Service	379,881	375,017	394,904	387,787	385,597	526,558	498,215	482,358	-
Recreation	492,894	383,119	218,505	238,578	245,766	200,936	200,295	159,194	173,827
Public Works	212,617	237,547	338,260	557,967	632,134	829,427	644,480	648,923	790,680
Basic Life Support	742,020	823,556	658,089	758,281	909,357	1,028,941	1,063,760	1,145,963	1,150,699
Operating Grants-Recreation	2,870	-	213,640	387,741	421,680	534,603	518,977	617,019	519,800
Net Transfers in	-	-	-	-	-	-	-	1,765,031	(3,975,947)
<b>Total Business-type Activities Revenue</b>	<u>1,830,282</u>	<u>1,819,239</u>	<u>1,823,398</u>	<u>2,330,354</u>	<u>2,594,534</u>	<u>3,177,249</u>	<u>3,106,887</u>	<u>4,971,074</u>	<u>(1,169,491)</u>
<b>Net (Expense)/Revenue</b>									
Governmental Activities	(24,897,739)	(27,017,526)	(29,261,947)	(32,160,833)	(37,170,379)	(38,295,475)	(38,882,486)	(43,313,030)	(39,205,634)
Business-type Activities	(274,468)	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)
	<u>(25,172,207)</u>	<u>(27,209,761)</u>	<u>(28,901,461)</u>	<u>(31,748,338)</u>	<u>(36,706,659)</u>	<u>(37,582,394)</u>	<u>(38,006,750)</u>	<u>(40,863,495)</u>	<u>(42,381,589)</u>

**Caroline County, Maryland**

**Changes in Net Assets  
Last Nine Years\***

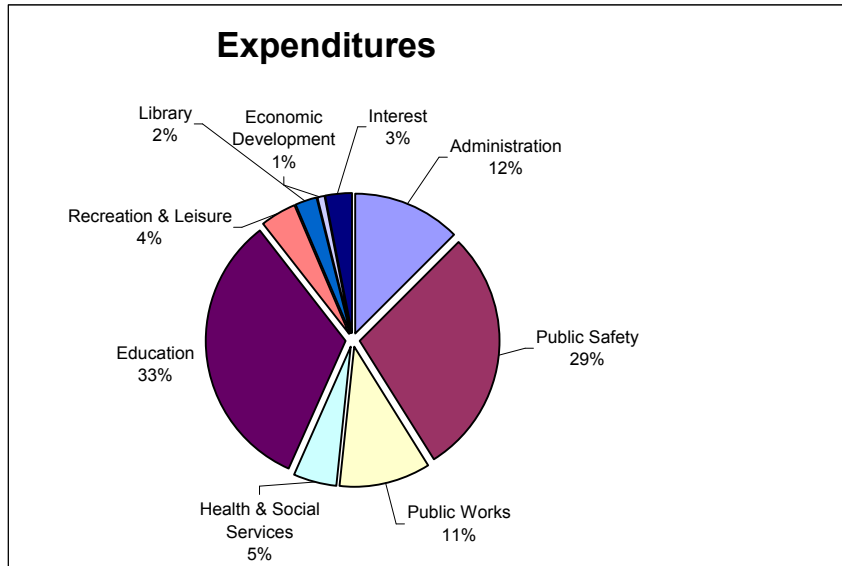
(accrual basis of accounting)

**Schedule 2**

<u>Years ended June 30,</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Revenues and other Changes in Net Assets</b>									
Governmental Activities									
Property Taxes	13,992,946	14,417,778	15,862,182	16,500,112	17,775,491	19,369,182	21,320,919	23,245,019	23,892,084
Other Taxes	10,056,496	12,856,115	14,200,876	17,048,496	14,740,674	15,082,888	12,293,573	11,831,008	12,323,263
Operating Grants Unrestricted	2,456,358	2,149,120	1,814,313	1,889,377	1,838,418	1,912,848	2,253,325	2,131,782	2,131,782
Other	548,969	94,528	295,459	587,672	1,056,348	544,817	232,447	22,311	(60,536)
Net Transfers out	-	-	-	-	-	-	-	(1,765,031)	3,975,947
<b>Total Governmental Activities/Primary Government</b>	<b>27,054,769</b>	<b>29,517,541</b>	<b>32,172,830</b>	<b>36,025,657</b>	<b>35,410,931</b>	<b>36,909,735</b>	<b>36,100,264</b>	<b>35,465,089</b>	<b>42,262,540</b>
<b>Change in Net Assets</b>									
Governmental Activities	2,157,030	2,500,015	2,910,883	3,864,824	(1,759,448)	(1,385,740)	(2,782,222)	(7,847,941)	3,056,906
Business-type Activities	(274,468)	(192,235)	360,486	412,495	463,720	713,081	875,736	2,449,535	(3,175,955)
	<b>\$ 1,882,562</b>	<b>\$ 2,307,780</b>	<b>\$ 3,271,369</b>	<b>\$ 4,277,319</b>	<b>\$ (1,295,728)</b>	<b>\$ (672,659)</b>	<b>\$ (1,906,486)</b>	<b>\$ (5,398,406)</b>	<b>\$ (119,049)</b>

\*The County first began reporting on a full accrual basis in fiscal year ended June 03

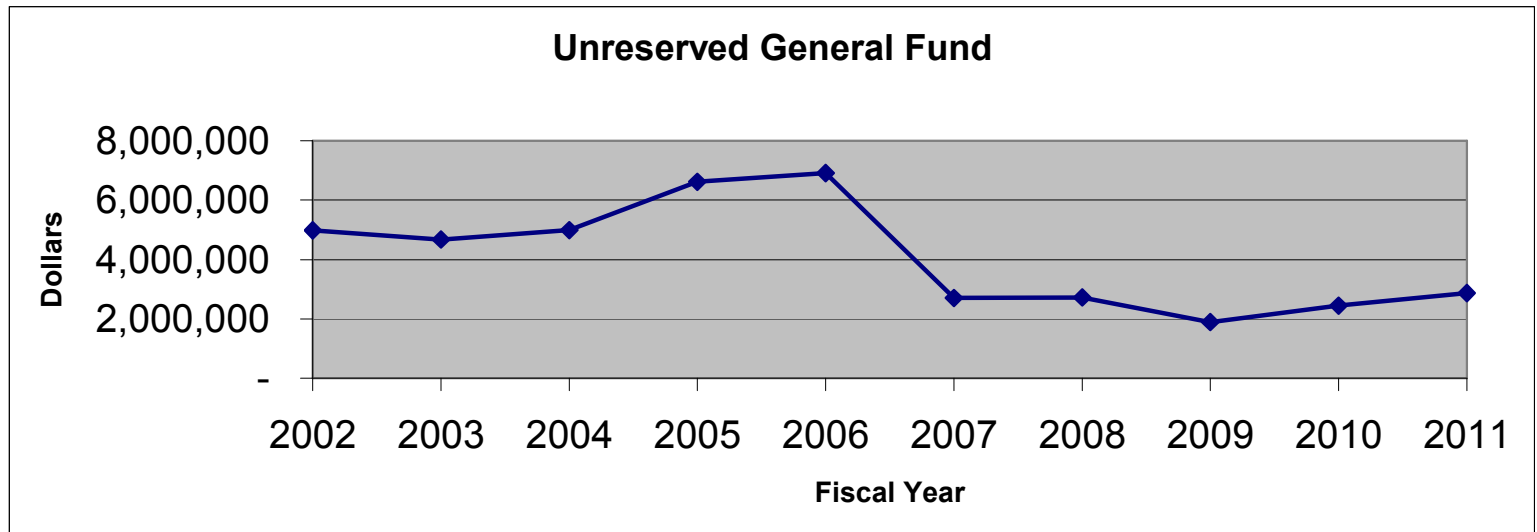
\*\* Emergency Medical and Management combined in 2010



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

**Schedule 3**

<u>Years ended June 30,</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Fund:</b>										
Reserved	\$ 1,497,692	\$ 2,065,381	\$ 3,206,728	\$ 3,199,116	\$ 2,913,367	\$ 2,870,591	\$ 337,676	\$ 247,230	\$ 235,828	\$ 245,951
Unreserved	4,976,536	4,670,477	4,988,170	6,610,103	6,912,734	2,700,375	2,721,888	1,895,700	2,448,436	2,865,037
<b>Total General Fund</b>	<u>6,474,228</u>	<u>6,735,858</u>	<u>8,194,898</u>	<u>9,809,219</u>	<u>9,826,101</u>	<u>5,570,966</u>	<u>3,059,564</u>	<u>2,142,930</u>	<u>2,684,264</u>	<u>3,110,988</u>
<b>All Other Governmental Funds:</b>										
Reserved	4,825,224	3,463,619	3,567,356	3,315,718	3,253,585	5,706,098	8,440,356	5,545,104	7,351,144	5,959,059
Unreserved, reported in:										
Special Revenue Funds	710,125	784,794	879,953	1,211,297	2,414,134	2,415,033	-	-	-	-
Special Grants Fund	-	-	-	-	1,728	3,350,097	3,580,488	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
	<u>5,535,349</u>	<u>4,248,413</u>	<u>4,447,309</u>	<u>4,527,015</u>	<u>5,669,447</u>	<u>11,471,228</u>	<u>12,020,844</u>	<u>5,545,104</u>	<u>7,351,144</u>	<u>5,959,059</u>
<b>Total</b>	<u>\$ 12,009,577</u>	<u>\$ 10,984,271</u>	<u>\$ 12,642,207</u>	<u>\$ 14,336,234</u>	<u>\$ 15,495,548</u>	<u>\$ 17,042,194</u>	<u>\$ 15,080,408</u>	<u>\$ 7,688,034</u>	<u>\$ 10,035,408</u>	<u>\$ 9,070,047</u>



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

**Schedule 4**

<u>Years ended June 30,</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>										
Property and Other Taxes	26,284,966	\$ 27,194,746	\$ 29,829,568	\$33,043,224	\$37,645,809	\$ 37,662,996	\$ 38,507,631	\$ 37,488,775	\$ 35,450,102	\$36,765,070
License and Permits	281,406	294,513	370,995	385,095	386,611	320,565	249,699	221,860	210,479	184,961
Intergovernmental Revenues	3,994,793	4,931,932	4,726,112	5,853,786	5,398,531	6,242,048	6,775,156	7,532,541	5,799,175	6,262,265
Charges for Services	769,188	787,195	859,748	1,123,854	1,094,080	1,314,655	1,191,743	885,550	768,966	722,778
Miscellaneous Revenues	<u>988,825</u>	<u>907,127</u>	<u>986,363</u>	<u>976,634</u>	<u>1,076,445</u>	<u>1,626,755</u>	<u>1,189,469</u>	<u>888,268</u>	<u>855,322</u>	<u>738,248</u>
<b>Total Revenues</b>	<u>32,319,178</u>	<u>34,115,513</u>	<u>36,772,786</u>	<u>41,382,593</u>	<u>45,601,476</u>	<u>47,167,019</u>	<u>47,913,698</u>	<u>47,016,994</u>	<u>43,084,044</u>	<u>44,673,322</u>
<b>Expenditures</b>										
General Government	2,690,336	3,336,804	3,616,483	4,108,895	4,999,470	5,365,478	5,681,450	5,428,556	5,060,521	4,726,364
Public Safety	9,788,181	7,213,289	7,224,320	9,681,586	10,912,304	11,359,999	12,621,617	12,593,790	11,989,750	11,884,025
Public Works	3,806,921	5,144,178	4,349,502	5,647,652	7,078,708	12,159,873	6,897,667	4,893,641	4,122,881	5,413,760
Health	817,505	706,366	626,970	645,477	688,233	818,872	907,222	902,434	840,934	540,151
Social Services	206,399	493,357	516,929	211,388	217,338	266,635	297,356	305,414	212,422	138,028
Primary Education	10,676,594	10,922,859	11,283,611	11,690,348	11,959,891	15,456,632	14,641,010	13,103,740	16,619,350	13,498,500
Secondary Education	1,030,600	1,009,062	1,290,627	1,640,487	1,250,027	1,645,222	1,671,394	1,441,101	1,915,590	1,458,291
Public Library	899,000	973,416	1,137,600	1,124,088	1,355,500	1,544,070	1,584,100	1,450,000	1,200,000	1,100,000
Recreation and Parks	651,381	866,237	692,356	808,869	933,342	2,041,221	3,408,317	2,330,004	1,164,373	881,535
Arts	-	5,500	5,500	5,500	6,500	9,000	12,500	12,500	5,000	5,000
Conservation of Natural Resources	179,103	243,332	226,792	269,082	506,734	607,013	457,349	477,058	334,911	313,533
Housing Rehabilitation	-	-	40,750	60,905	77,468	106,465	100,751	105,283	33,457	11,725
Economic Development	674,454	1,397,884	639,895	786,232	1,661,733	2,992,539	3,538,531	2,652,025	2,138,818	1,825,055
Intergovernmental-Local	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090
Historical	-	4,000	3,500	3,500	3,500	5,500	6,000	5,000	4,000	-
Contingency	-	54,731	137,691	223,287	143,914	60,942	28,074	27,837	46,407	52,253
Town Planning Grants	-	-	-	4,000	8,500	8,500	8,500	8,500	8,500	8,500
Capital Outlay	58,169	53,063	20,614	-	205,448	168,730	69,743	12,435	61,946	9,588
Miscellaneous**	2,314,196	284,573	327,933	284,307	321,095	1,532,882	1,167,281	1,573,899	494,416	507,485
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	1,420,134	1,869,233	1,908,261	2,207,931	1,686,230	2,268,181	2,185,576	2,459,259	7,342,721	6,235,600
Interest and Fiscal Charges	<u>1,017,679</u>	<u>1,117,255</u>	<u>1,055,561</u>	<u>951,577</u>	<u>864,192</u>	<u>1,070,524</u>	<u>1,256,492</u>	<u>1,293,060</u>	<u>1,259,115</u>	<u>1,485,758</u>
<b>Total Expenditures</b>	<u>36,233,742</u>	<u>35,698,229</u>	<u>35,107,985</u>	<u>40,358,201</u>	<u>44,883,217</u>	<u>59,491,368</u>	<u>56,544,020</u>	<u>51,078,626</u>	<u>54,858,202</u>	<u>50,098,241</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,914,564)</u>	<u>(1,582,716)</u>	<u>1,664,801</u>	<u>1,024,392</u>	<u>718,259</u>	<u>(12,324,349)</u>	<u>(8,630,322)</u>	<u>(4,061,632)</u>	<u>(11,774,158)</u>	<u>(5,424,919)</u>

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

**Schedule 4**

<u>Years ended June 30,</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Other Financing Sources (Uses)</b>										
Sale of Capital Assets	70,548	17,520	5,250	344,459	58,332	898,080	47,956	6,151	811	19,987
Bond Premium	-	-	-	-	-	84,086	1,636	-	-	-
Proceeds of Long Term Debt	5,060,000	1,500,000	155,000	-	-	12,475,000	6,600,000	-	16,042,529	3,736,000
Transfers In	2,320,453	885,381	1,105,715	1,359,121	4,027,508	7,251,218	3,522,357	801,776	7,435,261	935,463
Transfers Out	(3,089,054)	(1,433,771)	(1,306,188)	(1,029,580)	(3,725,795)	(6,882,753)	(3,500,045)	(4,059,491)	(9,346,919)	(265,570)
<i>Total Other Financing Sources (Uses)</i>	<u>4,361,947</u>	<u>969,130</u>	<u>(40,223)</u>	<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>
<b>Net Change in Fund Balance</b>	<u>\$ 447,383</u>	<u>\$ (613,586)</u>	<u>\$ 1,624,578</u>	<u>\$ 1,698,392</u>	<u>\$ 1,078,304</u>	<u>\$ 1,501,282</u>	<u>\$ (1,958,418)</u>	<u>\$ (7,313,196)</u>	<u>\$ 2,357,524</u>	<u>\$ (999,039)</u>
Debt Service as a Percentage of Non Capital Expenditures (1)	6.7%	10.1%	8.9%	8.6%	6.3%	6.9%	7.1%	7.8%	16.3%	15.8%

Notes

\*\*Fiscal Year 2003 first year to allocate employee benefits to department.

(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

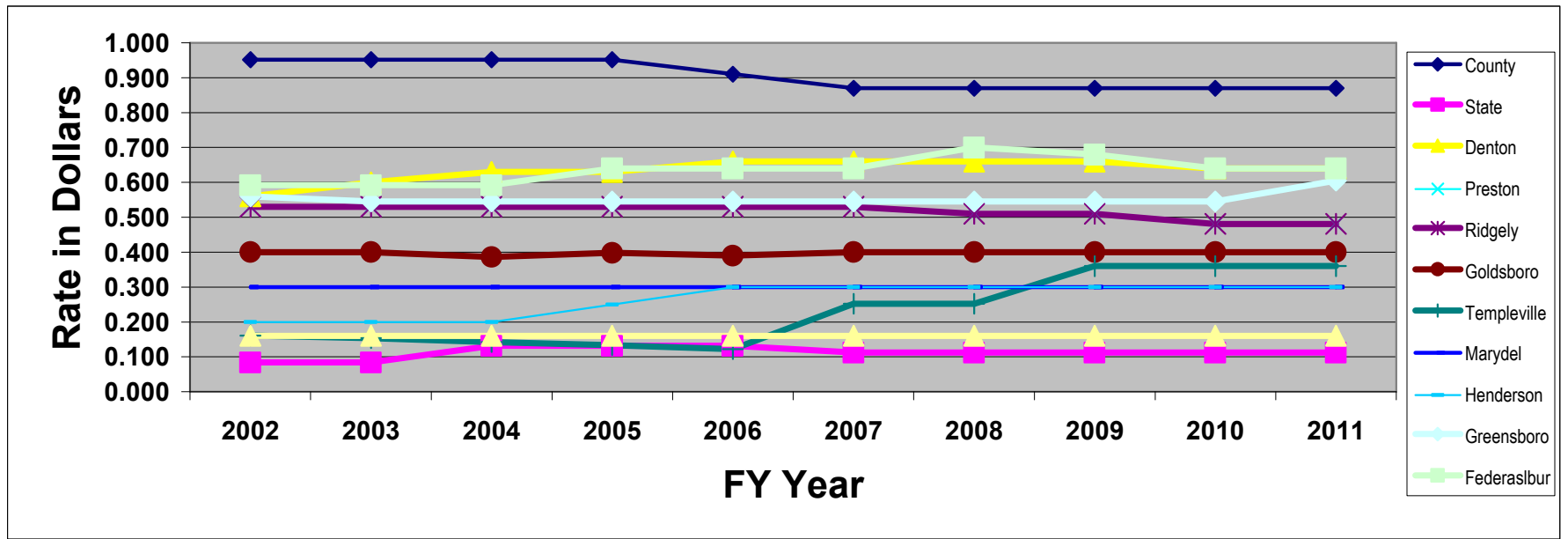
### Property Tax Rates-Direct and Overlapping Governments (Per \$1,000 of assessed Value Last Ten Fiscal Years (Unaudited))

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
2002	0.952	0.084	0.560	0.360	0.530	0.400	0.161	0.300	0.200	0.560	0.592	0.160
2003	0.952	0.084	0.600	0.360	0.530	0.400	0.153	0.300	0.200	0.545	0.592	0.160
2004	0.952	0.132	0.630	0.360	0.530	0.386	0.142	0.300	0.200	0.545	0.592	0.160
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

(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

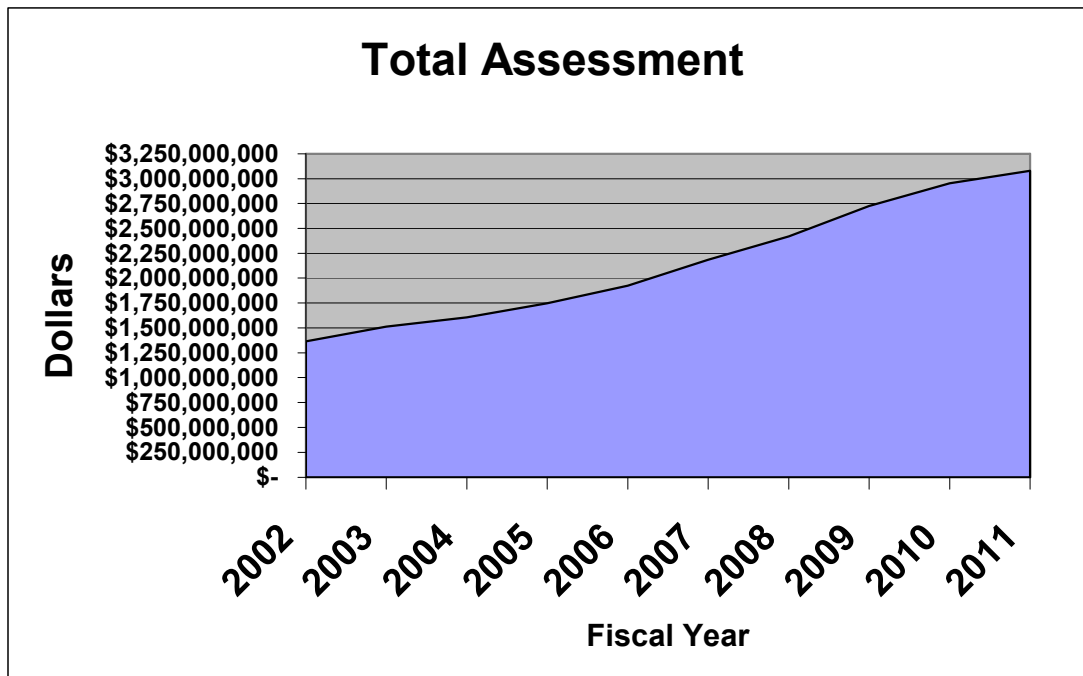
Schedule 6

Fiscal Year Ending June 30	Real Property Assessed Value	Exempt Property	Taxable Actual Value	Total Direct Tax Rate(1)	Personal Prop Assessed Value(2)	Corp & Utility Assessed Value	Total Assessed Value
2002	\$1,226,201,782	\$ 55,143,620	\$ 1,281,345,402	0.952	\$ 2,322,460	\$ 83,864,700	\$ 1,367,532,562
2003	\$1,289,527,950	\$141,916,320	\$ 1,431,444,270	0.952	\$ 2,608,660	\$ 81,712,210	\$ 1,515,765,140
2004	\$1,369,556,131	\$155,009,606	\$ 1,524,565,737	0.952	\$ 2,745,980	\$ 80,789,360	\$ 1,608,101,077
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

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 Tax was phased out over a three year period ending in FYE June 2007

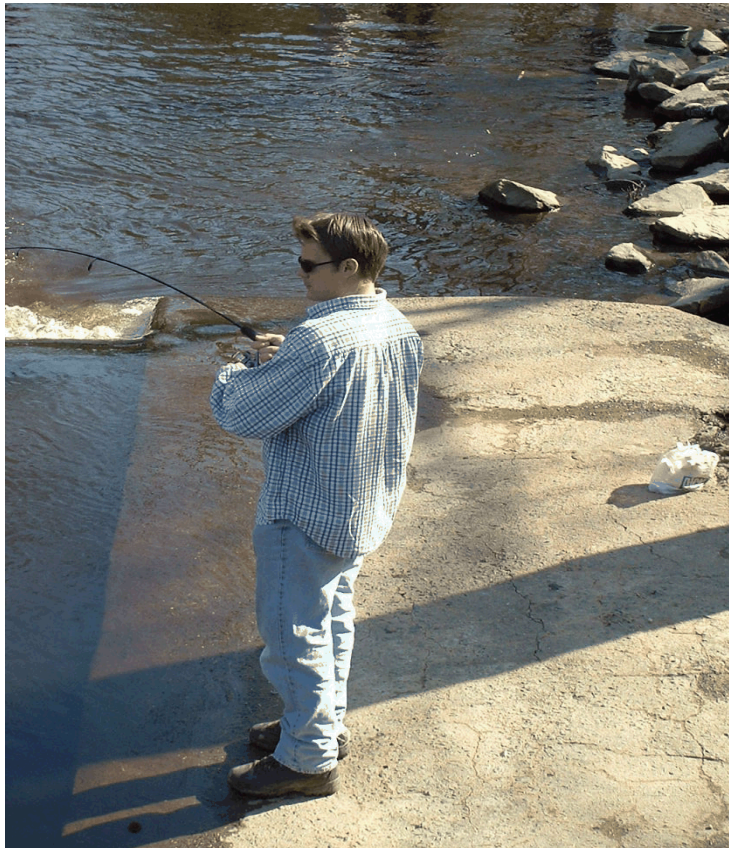


**Caroline County, Maryland**  
 General Fund Real Property Tax Levies and Collections  
 Last Ten Fiscal Years

**Schedule 7**

<b>Fiscal Year Ending June 30</b>	<b>Total Tax Levy</b>	<b>Current Year Taxes Collected in Year of Levy</b>	<b>% of Levy Collected During Year</b>	<b>Collected in Subsequent Years</b>	<b>Total Collections</b>	<b>% of Current Year Taxes Collected Current &amp; Prior</b>
2002	\$ 13,309,510	\$ 13,217,547	99.30%	\$ 43,387	\$ 13,260,934	99.6%
2003	\$ 13,849,390	\$ 13,778,452	99.50%	\$ 21,064	\$ 13,799,516	99.6%
2004	\$ 14,566,520	\$ 14,361,612	98.60%	\$ 67,342	\$ 14,428,954	99.1%
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%	\$ 23,002	\$ 19,116,412	99.9%
2009	\$ 21,140,313	\$ 21,111,314	99.86%	\$ 18,586	\$ 21,129,900	100.0%
2010	\$ 22,864,872	\$ 22,818,426	99.80%	\$ 34,930	\$ 22,853,356	99.9%
2011	\$ 23,648,637	\$ 23,588,002	99.74%	\$ -	\$ 23,588,002	99.7%

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



**Fishing at Martinak State Park**

## Caroline County, Maryland

Ten Largest Principal Taxpayers

June 30, 2011

Schedule 8

Tax Year			2000	2010	2000	2010	% of Total
	Taxpayer	Type of Business	Assessed Valuation	Assessed Valuation	Tax	Tax	Tax Levy
	Choptank Electric	Electric Power	\$ 13,075,620	\$ 22,359,212	\$311,184	\$470,795	0.73%
	Delmarva Power and Light	Electric Power	\$ 21,253,270	\$ 16,753,408	\$505,828	\$363,826	0.57%
	Verizon Maryland	Telephone utility	\$ 18,279,090	\$ 12,318,620	\$434,837	\$268,546	0.42%
	Istar SCC Distribution	Cups and containers	\$ 3,965,730	\$ 12,265,332	\$ 83,612	\$ 91,990	0.41%
	East Star, LLC	Excavating	\$ 1,076,610	\$ 8,725,178	\$ 25,179	\$ 74,546	0.30%
	Burris Foods, Inc.	Transport of refrigerated food products	\$ 3,782,480	\$ 8,177,044	\$ 90,023	\$ 71,140	0.28%
	Boaters World	Marine products distribution	\$ 36,580	\$ 7,214,800	\$ 761	\$ 54,111	0.24%
	H&M Bay, Inc.	Refrigerated trucking	\$ 1,420,200	\$ 6,794,764	\$ 30,621	\$ 50,961	0.23%
	Upland Holding Co.	Golf Course	\$ 485,570	\$ 5,673,800	\$ 4,623	\$ 49,362	0.19%
	BOP Denton Plaza	Developer	\$ 2,180,100	\$ 6,463,900	\$ 18,138	\$ 48,479	0.22%

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



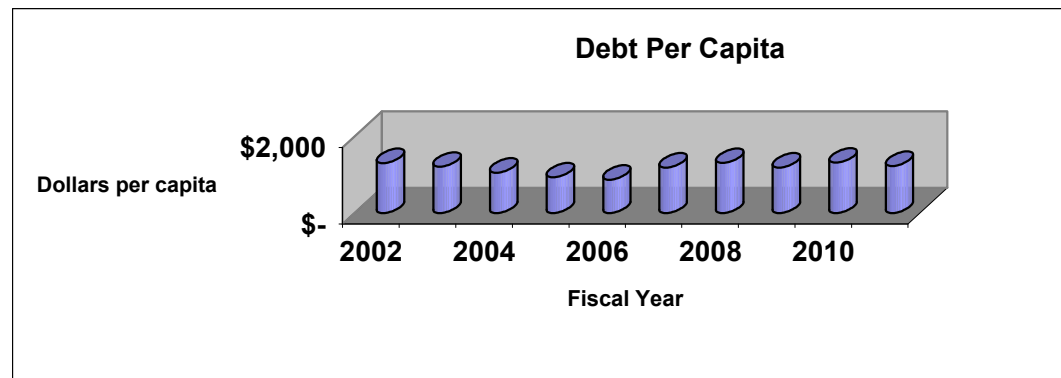
**Caroline County, Maryland**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Years**

**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	Total	MEDCO Loan (2)			
2002	\$ 22,617,254	\$ 360,207	\$ 1,493,816	\$ 505,149	\$ 635,600	\$ 25,612,026	\$ 3,825,000	\$ 29,437,026	4.31%	\$ 1,309
2003	\$ 21,045,932	\$ 335,861	\$ 1,348,686	\$ 1,883,396	\$ 607,050	\$ 25,220,925	\$ 3,725,000	\$ 28,945,925	3.94%	\$ 1,215
2004	\$ 19,444,046	\$ 310,947	\$ 1,193,356	\$ 1,757,266	\$ 725,237	\$ 23,430,852	\$ 3,615,000	\$ 27,045,852	3.41%	\$ 1,057
2005	\$ 17,776,318	\$ 285,464	\$ 775,902	\$ 1,660,000	\$ 690,950	\$ 21,188,634	\$ 3,505,000	\$ 24,693,634	2.94%	\$ 935
2006	\$ 16,180,559	\$ 257,060	\$ 713,835	\$ 1,660,000	\$ 656,378	\$ 19,467,832	\$ 3,385,000	\$ 22,852,832	2.71%	\$ 875
2007	\$ 27,130,185	\$ 228,088	\$ -	\$ 1,660,000	\$ 620,629	\$ 29,638,902	\$ 3,260,000	\$ 32,898,902	3.65%	\$ 1,192
2008	\$ 30,577,071	\$ 195,626	\$ -	\$ 2,660,000	\$ 583,644	\$ 34,016,341	\$ 3,130,000	\$ 37,146,341	3.98%	\$ 1,312
2009	\$ 28,150,843	\$ 162,596	\$ -	\$ 2,660,000	\$ 541,431	\$ 31,514,870	\$ 2,990,000	\$ 34,504,870	3.58%	\$ 1,194
2010	\$ 36,455,718	\$ -	\$ -	\$ 3,217,529	\$ 497,927	\$ 40,171,174	\$ -	\$ 40,171,174	3.98%	\$ 1,322
2011	\$ 33,956,118	\$ -	\$ -	\$ 3,217,529	\$ 453,188	\$ 37,626,835	\$ -	\$ 37,626,835	3.73%	\$ 1,233

(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**

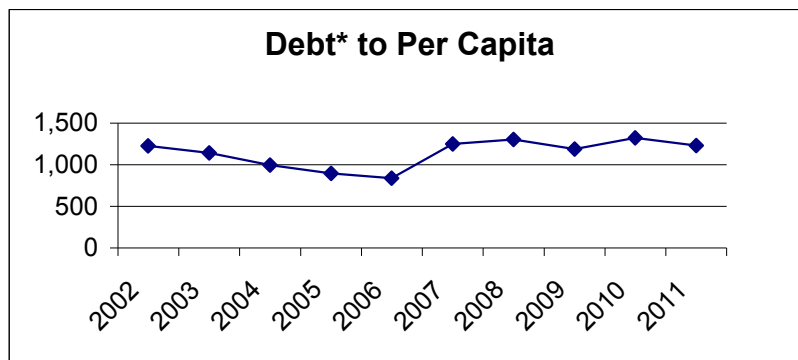
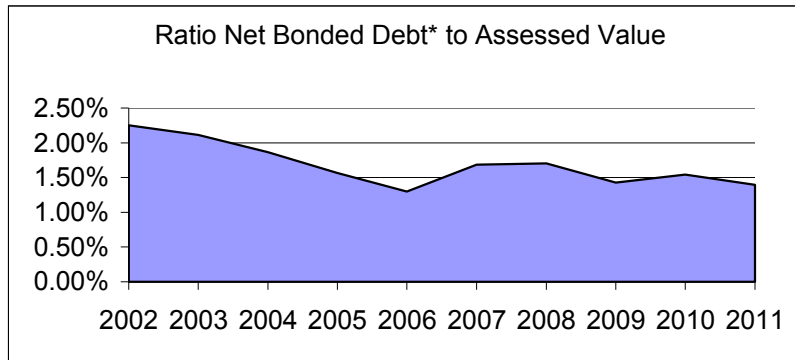
**Schedule 10**

Year <u>June 30,</u>	General Bonded Debt	(1) Assessed <u>Value</u>	(2) Per <u>Capita</u>	Ratio Net Bonded Debt* to Assessed <u>Value</u>	Debt* to Per <u>Capita</u>
2002	\$ 27,583,003	\$ 1,226,201,782	\$ 22,493	2.25%	1,226
2003	\$ 27,261,378	\$ 1,289,527,950	\$ 23,831	2.11%	1,144
2004	\$ 25,541,549	\$ 1,369,556,131	\$ 25,595	1.86%	998
2005	\$ 23,632,268	\$ 1,507,546,709	\$ 26,409	1.57%	895
2006	\$ 21,881,937	\$ 1,683,578,642	\$ 26,111	1.30%	838
2007	\$ 32,670,814	\$ 1,937,403,404	\$ 26,148	1.69%	1,249
2008	\$ 36,950,715	\$ 2,168,863,864	\$ 28,303	1.70%	1,306
2009	\$ 34,342,274	\$ 2,410,033,590	\$ 28,904	1.42%	1,188
2010	\$ 40,171,174	\$ 2,604,398,489	\$ 30,389	1.54%	1,322
2011	\$ 37,626,835	\$ 2,699,834,799	\$ 30,527	1.39%	1,233

\* 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



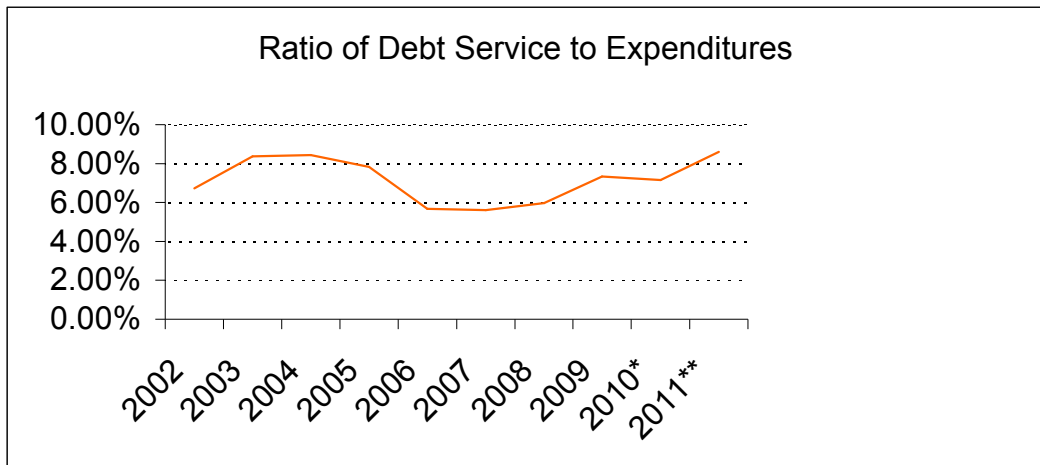
**Caroline County, Maryland**  
**Ratio of Annual Debt Service to Total Government Expenditures**  
**Last Ten Years**

**Schedule 11**

Year Ended June 30,	Principal	Interest & Fiscal Charges	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
2002	\$ 1,420,134	\$ 1,017,679	\$ 2,437,813	\$ 36,233,742	6.73%
2003	\$ 1,869,233	\$ 1,117,255	\$ 2,986,488	\$ 35,698,229	8.37%
2004	\$ 1,908,261	\$ 1,055,561	\$ 2,963,822	\$ 35,107,985	8.44%
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%

\*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, 2011

**Schedule 12**

Political Subdivision	<u>Debt Outstanding</u>	<u>Percentage Applicable To County*</u>	<u>Amount Applicable To County</u>
Caroline County	\$ 37,626,835	100.00%	\$ 37,626,835
Caroline County Library	-	100.00%	-
Caroline County Board of Education	4,727,928	100.00%	4,727,928
Town of Denton	3,294,065	100.00%	3,294,065
Town of Federalsburg	1,603,419	100.00%	1,603,419
Town of Greensboro	772,082	100.00%	772,082
Town of Ridgely	580,581	100.00%	580,581
Town of Preston	3,600	100.00%	3,600
<b>TOTAL</b>	<u>\$ 48,608,510</u>		<u>\$ 48,608,510</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 (2)*	Per Capita Income (5)	High School Graduates (3)	School Enrollment (3)	Labor Force(5)	Employment (5)	Unemployment (5)	Unemployment Rate	Median Age (6)
2002	30,334	682,296	22,493	344	5,535	16,591	15,853	738	4.4%	37.1
2003	30,866	735,562	23,831	372	5,400	16,697	15,809	888	5.3%	37.2
2004	31,025	794,081	25,595	322	5,422	16,984	15,756	624	3.7%	37.0
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	16,309	15,601	708	4.3%	37.5
2008	33,138	932,393	28,303	418	5,656	16,300	15,419	705	4.3%	36.6
2009	33,367	964,434	28,904	371	5,474	16,272	14,779	1,493	9.2%	37.5
2010	33,217	1,009,420	30,389	373	5,551	16,436	14,890	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

Source:

- 1 Maryland State Data Center Estimates and 2010 US Census Data- no new estimates or projections for 2011 available
- 2 U.S. Bureau of Economic Analysis. Latest data is for 2009 and updated April 2011
- 3 Caroline County Public Schools-Total Enrollment PK-12 Fiscal Year
- 4 2000 US Census and MD Dept of Planning Services Estimated
- 5 <http://dir.state.md.us/lmi/>
- 6 2010 US Census Data



**Caroline County, Maryland  
Major Employers FYE 6/30/2011**

Schedule 14

<b>Firm</b>	<b>Product/Service</b>	<b>Employment</b>	<b>Percent of Caroline County Employment</b>
Caroline County Board of Education	Government	846	5.62%
Solo Cup	Cups and Containers	524	3.48%
Benedictine School	Private School for Exceptional Children	350	2.33%
Caroline County	Government	241	1.60%
H&M Bay	Refrigerated Trucking	135	0.90%
Caroline Nursing Home	Nursing Care	130	0.86%
Choptank Electric Cooperative	Electric Power	126	0.84%
Envoy Health Care	Medical Services	105	0.70%
Medifast	Food Diet Industry	100	0.66%
Tri Gas & Oil	Metered Gas, Fuel Oil, Appliances	95	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.

<b>Major Employers FYE 6/2001</b>			<b>Percent of Caroline County Employment</b>
<b>Firm</b>	<b>Product/Service</b>	<b>Employment</b>	<b>Employment</b>
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%
Burr's Refrigerated Services	Transport of Refrigerated Food Products	130	0.85%
Caroline Nursing Home	Nursing Care	115	0.75%

Note: We do not have complete 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

Year	(1) Bank Deposits (Dollars in Millions)	(2) Avg Sale Price for a Single Family Home	(3) Total Assessed Property Value
2001	280	\$ 110,751	\$ 1,368,118,102
2002	304	\$ 130,279	\$ 1,444,537,556
2003	322	\$ 158,225	\$ 1,531,297,890
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	\$ 137,648	\$ 3,030,861,379

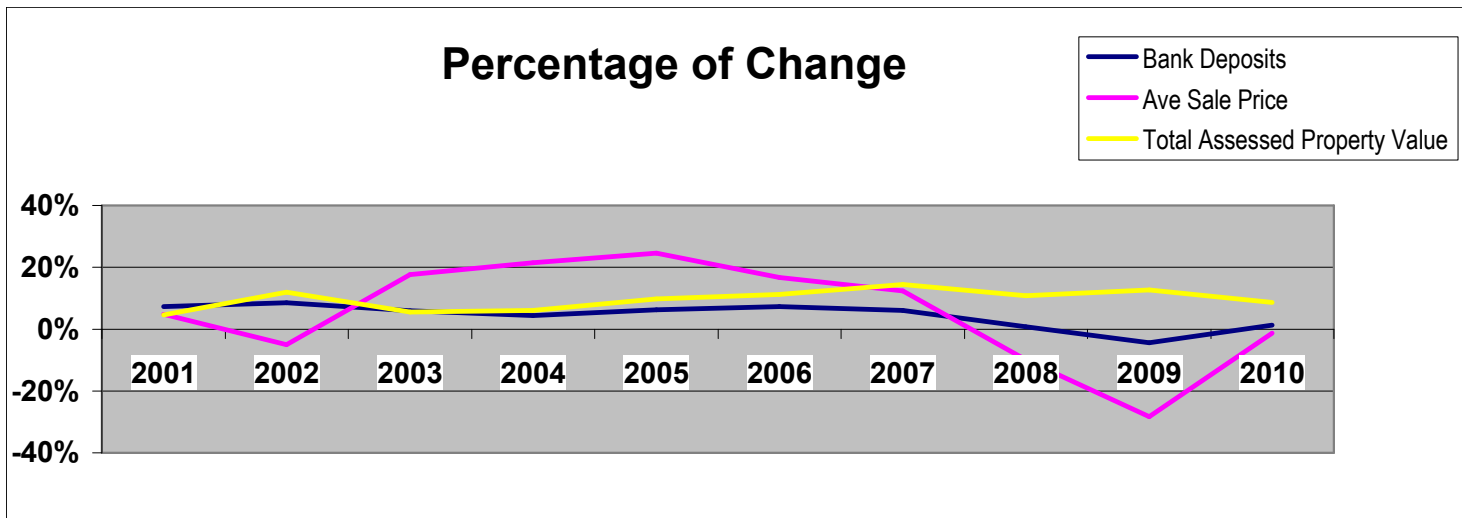
Source:

(1) Federal Deposit Insurance Corporation Web Site

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

(2) Midshore Realtor Association-Calendar Year

(3) Caroline County Tax Office-includes exempt property



**Caroline County, Maryland**

**Building Permits (Unincorporated Areas)  
Calendar Years 2001-2010 (Unaudited)**

Schedule 16

Types	2001		2002		2003		2004		2005		2006		2007	
	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	150	\$14,347,455	128	\$14,752,838	148	\$19,540,212	155	\$22,125,951	130	\$22,799,992	105	\$18,033,968	75	\$15,652,684
Accessory Dwellings	3	62,000	3	186,000	3	170,000	4	307,148	2	83,000	4	155,870	4	145,000
Accessory Structures	258	3,235,097	198	2,421,131	229	2,932,492	232	3,841,009	237	3,817,617	221	3,441,297	217	4,046,437
Additions	154	2,458,807	123	1,906,612	140	3,313,886	135	2,772,022	145	4,039,243	127	4,012,604	115	2,685,481
Comm/Industrial & Institutional	26	2,328,350	13	569,490	18	2,394,453	13	993,572	19	10,189,850	10	5,509,050	7	426,100
Mobile Homes	10	85,500	15	237,572	11	195,257	14	77,215	9	155,400	6	61,300	27	1,726,441
Poultry Structures/Ag	5	463,400	11	1,263,040	15	1,614,000	24	5,572,272	18	4,916,176	14	3,506,000	7	1,708,000
Change of Use/Home Occupation	29	173,911	12	74,750	19	118,496	12	77,490	15	139,735	12	119,750	4	2,150
Shoreline Projects	3	31,700	7	62,455	8	122,500	6	62,750	5	48,000	10	224,725	9	266,600
Decks Pools Signs	1	250	1	0	2	93,750	1	6,000	0	0	0	0	0	0
Renovations	0	0	5	108,600	8	219,400	11	173,600	11	1,177,300	13	1,167,300	9	779,960
<b>Totals</b>	<b>639</b>	<b>\$23,186,470</b>	<b>516</b>	<b>\$21,582,488</b>	<b>601</b>	<b>\$30,714,446</b>	<b>607</b>	<b>\$36,009,029</b>	<b>591</b>	<b>\$47,366,313</b>	<b>522</b>	<b>\$36,231,864</b>	<b>474</b>	<b>\$27,438,853</b>

Source: Caroline County Dept of Planning

Types	2008		2009		2010	
	Number Permits	Value	Number Permits	Value	Number Permits	Value
Homes	60	\$10,198,667	27	\$4,205,153	45	\$5,716,254
Accessory Dwellings	0		0		2	200,000
Accessory Structures	161	3,047,108	79	1,162,733	81	1,465,340
Additions	79	2,333,022	54	1,305,053	43	637,636
Comm/Industrial & Institutional	8	21,775,000	9	1,680,490	10	4,767,189
Mobile Homes	18	1,034,050	16	440,105	10	415,298
Poultry Structures/Ag	9	1,835,684	39	2,539,620	37	1,176,068
Change of Use/Home Occupation	3	62,000	3	2,750		
Shoreline Projects	11	127,900	5	136,000	6	103,500
Foundationa	1	3,000	5	67,000	0	0
Renovations	12	309,900	13	529,289	14	243,238
<b>Totals</b>	<b>362</b>	<b>\$40,726,331</b>	<b>250</b>	<b>\$12,068,193</b>	<b>248</b>	<b>\$14,724,523</b>



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

**Schedule 17**

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	107	110	112	114	120	131	131	129	130	122
Public Safety	25	26	26	26	28	30	33	33	33	31
Public Works	56	56	55	52	54	55	55	55	37	45
Leisure Services	6	7	7	7	9	9	9	11	10	10
<b>Total</b>	<b>194</b>	<b>199</b>	<b>200</b>	<b>199</b>	<b>211</b>	<b>225</b>	<b>228</b>	<b>228</b>	<b>210</b>	<b>208</b>

Source: Caroline County Human Resources

Operating Indicators by Function/Program  
 Last Ten Years

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Payroll Checks Processed	6,577	6,727	6,800	7,000	7,500	8198	8113	8216	8190	8092
Number of Checks Written	6,252	7,239	6,895	6,986	7,028	7,106	7,200	6,304	5,664	5,007
Purchase orders Issued	3,839	4,024	3,783	3,894	4,370	5,169	5,200	2,472	1,869	1,964
Public Safety (calendar year)*										
Sheriff Calls for Service	10,735	10,437	9,901	10,666	12,072	12,897	13,200	12,199	12,199	10,446
911 Calls	11,736	12,041	12,340	15,437	15,796	15,882	16,000	17,008	16,488	16,314
Calls for Fire & EMS Dispatches	6,241	7,894	8,579	8,474	8,474	8,752	9,000	8,793	8,459	5,457
Avg Detention Ctr Daily Population	103	96	90	85	85	96	83	98	92	NA
Public Works**										
Miles of Roads Serviced	43	43	39	40	28	62	34	0	0	0
Annualized Tonnage for Collection Sites	5252	5366	5943	5969	6109	6299	6400	5493	5091	3199
Parks and Rec***										
Number of Programs	300	314	252	276	267	300	310	312	313	313

\* Source Emergency Management Logs

\*\* Source Public Work Records

\*\*\* Source Parks & Recs Staff

**Caroline County Maryland**  
Capital Asset Statistics  
Last Ten Years

**Schedule 18**

Function/Program	June 30,	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Facilities</b>											
Police Stations in County(1)		7	7	7	7	7	7	7	7	7	7
Fire & Rescue Stations(1)		8	8	8	8	8	8	8	8	8	8
Parks/Recreation Facilities(2)		5	5	5	5	5	5	5	5	5	5
Senior Centers(3)		2	2	2	2	2	2	2	2	2	2
Libraries(4)		3	3	3	3	3	3	3	3	3	3
<b>Public Schools(5)</b>											
Elementary		5	5	5	5	5	5	5	5	5	5
Middle Schools		2	2	2	2	2	2	2	2	2	2
High Schools		3	3	3	3	3	3	3	3	3	3
<b>Department of Public Works(6)</b>											
Miles of County Maintained Paved Rds		398.44	398.83	398.95	398.80	398.24	400.19	400.91	399.00	399.00	399.00
Vehicles in Roads Department		n.a.	n.a.	22	23	24	25	27	27	27	26
<b>Caroline County Sheriff Department(7)</b>											
Vehicles in Service		n.a.	n.a.	31	31	31	32	32	31	31	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 Asset Records



## Caroline County, Maryland

Miscellaneous Statistics  
June 30, 2011 (Unaudited)

### Schedule 19

Date of Incorporation	1774	<u>Board of Elections-Source Local Election Staff</u>	
Form of Government	Home Rule	Registered voters at last general election	17,596
Area in Square Miles	321	Number of votes cast last general election	13,286
		Percentage of registered voters voting	75.50%
<u>Population(1)</u>			
1970	19,781	<u>Police Protection- Source Sheriff Budget Document</u>	
1980	23,143	Uniform Police Officers	34
1990	27,035	Number of Vehicles	32
2000	29,772	Number of Offenses-Sheriff Dept (2)	805
2010	33,066	Traffic violations (2)	5,600
<u>Employees-Source Human Resources Records</u>			
Exempt	40	<u>Detention Center-Source Annual Correction Report</u>	
Full time	186	Detention Center Officers	29
Part time (FTE)	15	Average Daily Population (2)	92
Total	241	Average Daily Work Release (2)	2
<u>County Maintained Roads-Source Public Works Records</u>			
Paved	399	<u>Fire Protection-Source Emergency Management</u>	
Unpaved	78	Number of Volunteer Stations	8
Total	477	Number of Volunteer Members	462
<u>Libraries-Source Library Staff</u>			
Number of Libraries	3	Equipment	
<u>Education (Public)-Source BOE Admin Staff</u>			
Number of Schools		Engines	18
High Schools	3	Tankers	9
Middle Schools	2	Aerial Units	2
Elementary Schools	5	Rescue Units	6
Number of Personnel		Brush Units	9
Teachers	463	Air Units (MD State Police)	7
Administrators	43	Miscellaneous Utility Units	5
Support	340	Ambulance/Medic Units	17
Other	0	Boat Dive units	2
Number of students	5,175	Command Vehicles	6
		Canteen	1
		Calls for Service- Fire/Rescue	871
		Calls for Emergency Medical	4586
		<u>County Owned Recreation Facilities-Source Pks &amp; Rec</u>	
		Parks	5
		Parks Acreage	150
		Public Landings	4
		Open Space Acreage Actively Maintained	103
		Quantity of Public Boat Ramps	4
		Special Use Areas and Facilities	7
		Acreage under Development for Public Use	45
		Protected Park Land for Future Development	113

(1) 2010 Census

(2) Caroline County Budget Document



**Murphy & Murphy, CPA, LLC**  
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The County Commissioners  
of Caroline County  
Denton, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Caroline County (the County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 9, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Board of Education of Caroline County and Dayspring Townhomes, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the County, in a separate letter dated November 9, 2011.

This report is intended solely for the information and use of management, the County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Murphy & Murphy, CPA, LLC

La Plata, Maryland  
November 9, 2011