

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2013

WICOMICO COUNTY, MARYLAND

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WICOMICO COUNTY, MARYLAND

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PKS & Company, P.A.

Pigg, Krahl & Stern

**Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

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To the County Council and County Executive of
Wicomico County, Maryland
Salisbury, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represents 4.6% and 35.0%, respectively of the assets and revenues of the business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 99.1% and 98.7%, respectively of the assets and revenues of the aggregate discretely presented component units for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wicomico Nursing Home and the Board of Education of Wicomico County is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

Auditor's Responsibility (Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 16 and 97 through 100 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wicomico County, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

PKS + Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 17, 2013



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INDEPENDENT AUDITOR'S 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*

To the County Council and County Executive of
Wicomico County, Maryland
Salisbury, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2013. Other auditors audited the financial statements of the Wicomico Nursing Home and the Board of Education of Wicomico County, as described in our report on Wicomico County, Maryland'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 (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 other matters that we reported to management of the County in a separate letter dated December 17, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKS + Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 17, 2013

MANAGEMENT'S DISCUSSION
AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Wicomico County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2013. Please read it in conjunction with the County's financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

- The County's government-wide results of operations showed an increase in net assets of about \$6.82 million. This is due primarily to the General Fund's revenues exceeding expenses, offset by operating losses in the business-type activities.
- The County's total general fund balance position improved by \$4.3 million. There are two one-time events that contributed \$2.2 million to this outcome; Impact Fees were \$0.9 million above budget from initiation of two large apartment complexes and debt service expenses were \$1.3 million less than budget due to a successful refunding action. See pages 44-45 for detail of fund balances and page 43 for explanation of Government Accounting Standards Board Statement Number 54 classifications adopted in FY10.
- General fund fiscal year 2013 actual expenses were \$3.4 million less than budget. A detail view of budget to actual variance can be found beginning at page 108.
- General fund new revenues for fiscal year 2013 increased by nearly \$4 million over fiscal year 2012 as shown in the three revenue summary tables below.

NEW REVENUES including transfers in	FY2013	FY2012	FY2011	FY2010
REAL PROPERTY TAX	\$ 51,926,918	\$50,460,900	\$52,679,302	\$51,694,686
PERSONAL PROPERTY TAX	9,042,857	8,007,372	7,850,822	8,516,440
LOCAL INCOME TAX	41,027,904	41,845,360	39,186,250	37,206,314
RECORDATION TAX	2,502,251	2,230,158	2,171,210	2,590,719
OTHER LOCAL TAXES	1,058,050	997,206	1,103,800	1,216,960
LICENSES AND PERMITS	1,242,057	1,223,723	1,290,848	1,255,571
STATE AND FEDERAL GOVERNMENTAL GRANTS	4,866,193	3,268,830	3,219,266	3,323,269
SERVICE CHARGE REVENUE	2,978,074	2,581,989	3,125,476	3,754,811
IMPACT FEES	1,267,124	394,014	336,267	476,253
FINES AND FORFEITURES	138,681	73,686	67,414	55,406
MISCELLANEOUS REVENUE	1,175,008	2,185,084	2,302,864	1,627,451
INVESTMENT EARNINGS	102,197	76,465	115,177	277,419
NEW REVENUE excluding transfers	117,327,313	113,344,787	113,448,696	111,995,299
TRANSFERS IN	500,504	512,511	683,374	581,921
One-time reimbursement from Board of Education				2,000,000
Total Revenue (excluding use of prior year funds)	\$117,827,817	\$113,857,298	\$114,132,070	\$114,577,220

Dollar Change Year-Over-Year

NEW REVENUES including transfers in	FY13 to FY12	FY12 to FY11	FY11 to FY10
REAL PROPERTY TAX	\$ 1,466,018	\$ (2,218,402)	\$ 984,616
PERSONAL PROPERTY TAX	1,035,485	156,550	(665,618)
LOCAL INCOME TAX	(817,456)	2,659,110	1,979,936
RECORDATION TAX	272,093	58,948	(419,509)
OTHER LOCAL TAXES	60,844	(106,594)	(113,160)
LICENSES AND PERMITS	18,334	(67,125)	35,277
STATE AND FEDERAL GOVERNMENTAL GRANTS	1,597,363	49,564	(104,003)
SERVICE CHARGE REVENUE	396,085	(543,487)	(629,335)
IMPACT FEES	873,110	57,747	(139,986)
FINES AND FORFEITURES	64,995	6,272	12,008
MISCELLANEOUS REVENUE	(1,010,076)	(117,780)	675,413
INVESTMENT EARNINGS	25,732	(38,712)	(162,242)
NEW REVENUE excluding transfers	3,982,525	(103,909)	1,453,397
TRANSFERS IN	(12,007)	(170,863)	101,453
One-time reimbursement from Board of Education			(2,000,000)
TOTAL REVENUE (excluding use of prior year funds)	\$ 3,970,518	\$ (274,772)	\$ (445,150)

Percent Change Year-Over-Year

NEW REVENUES including transfers in	FY13 to FY12	FY12 to FY11	FY11 to FY10
REAL PROPERTY TAX	2.9%	-4.2%	1.9%
PERSONAL PROPERTY TAX	12.9%	2.0%	-7.8%
LOCAL INCOME TAX	-2.0%	6.8%	5.3%
RECORDATION TAX	12.2%	2.7%	-16.2%
OTHER LOCAL TAXES	6.1%	-9.7%	-9.3%
LICENSES AND PERMITS	1.5%	-5.2%	2.8%
STATE AND FEDERAL GOVERNMENTAL GRANTS	48.9%	1.5%	-3.1%
SERVICE CHARGE REVENUE	15.3%	-17.4%	-16.8%
IMPACT FEES	221.6%	17.2%	-29.4%
FINES AND FORFEITURES	88.2%	9.3%	21.7%
MISCELLANEOUS REVENUE	-46.2%	-5.1%	41.5%
INVESTMENT EARNINGS	33.7%	-33.6%	-58.5%
NEW REVENUE excluding transfers	3.5%	-0.1%	1.3%
TRANSFERS IN	-2.3%	-25.0%	17.4%
One-time reimbursement from Board of Education			
TOTAL REVENUE (excluding use of prior year funds)	3.5%	-0.2%	-0.4%

There are several notable changes in revenue from FY12 to FY13.

- ✓ Most significant is the \$1.466 million increase in revenue from real property taxes. The real property tax rate was set to the Charter Revenue Cap limit which allowed a 2% revenue growth before new construction.
- ✓ The personal property tax rate was set by law to 2.5 times the real property tax rate which generated a 17.8 cent/\$100 increase in the tax rate or a 9.3% tax rate increase. The rate increase coupled with an increase in the value of the personal property base resulted in \$1 million in revenue over FY12; a 12.9% increase. The 2013 General Assembly session decoupled the personal property tax rate from the real property tax rate. This enabled the County to set the FY14 personal property tax rate 13.48 cents *less* than would have otherwise been dictated by law: the rate increase in FY14 was 1.7% which was equal to the change in the consumer price index (CPI-U).
- ✓ Local income tax revenue decline by \$817 thousand from fiscal year 2012. This was more the result of the functioning of the state income tax distribution formula and process rather than a decline in county citizen taxable income year-over-year. This decline had been anticipated in the FY13 budget formulation.
- ✓ State and Federal Government Grants – FY13 was the first year the county received the new Teacher Retirement Supplemental Grant of \$1,567,837 from the State of Maryland to partially offset the County’s new responsibility to contribute to the state teacher’s retirement fund through the local Board of Education.
- ✓ The Service charge revenue increase of \$396 thousand is an aggregate of many small changes. The most notable changes were \$182K increase in fire safety inspection fees, \$122K increase in State Per Diem payments to the Detention Center, \$61K in Sheriff’s fees & unanticipated revenue, and \$55K in Health Department fees. There were many other smaller increases and decreases.

- ✓ Impact Fee revenues were up by \$873 thousand due primarily to two large multi-unit construction projects.
- ✓ Miscellaneous Revenue declined primarily from a \$905K decrease in the CareFirst health insurance rebate, elimination of tax sale attorney's fees and completion of National Guard lease of D.R.I.L.L. academy.
- General fund actual expenses increased by \$7.8 million compared to fiscal year 2012. A summary of department changes with absolute values greater than \$100,000 are shown below. The Board of Education number includes principal and interest payments related to school projects as well as the new teacher pension contribution.

Department	% change FY12 to FY13	change over prior year	FY 2013	FY 2012
WORK COMP/LIABILITY INS	82.0%	\$ 566,176	\$ 1,256,651	\$ 690,475
PLANNING AND ZONING	73.3%	\$ 483,989	\$ 1,144,203	\$ 660,214
CONTINGENCY, ROADS, CAPITAL	61.5%	\$ 2,382,253	\$ 6,255,991	\$ 3,873,738
PENSIONS & RETIREMENT	58.7%	\$ 1,713,803	\$ 4,634,198	\$ 2,920,395
VOLUNTEER FIRE COMPANIES	22.0%	\$ 350,341	\$ 1,944,722	\$ 1,594,381
ELECTIONS AND REGISTRATION	18.1%	\$ 132,096	\$ 861,736	\$ 729,640
SHERIFF'S DEPARTMENT	9.3%	\$ 649,558	\$ 7,618,872	\$ 6,969,314
STATES ATTORNEY	7.2%	\$ 122,299	\$ 1,810,932	\$ 1,688,633
COMMUNITY COLLEGE	6.8%	\$ 200,000	\$ 3,120,880	\$ 2,920,880
BOARD OF EDUCATION	5.1%	\$ 2,375,921	\$ 49,395,332	\$ 47,019,411
ALL OTHER DEPARTMENTS	3.7%	\$ 589,616	\$ 16,648,613.00	\$ 16,058,997
CORRECTIONS	2.6%	\$ 273,507	\$ 10,730,386	\$ 10,456,879
HOSPITAL & DISABILITY	-9.7%	\$ (510,817)	\$ 4,746,729	\$ 5,257,546
DEBT RETIREMENT	-11.2%	\$ (318,293)	\$ 2,531,787	\$ 2,850,080
GENERAL SERVICES	-51.0%	\$ (846,359)	\$ 814,147	\$ 1,660,506
PUBLIC WORKS	-100.0%	\$ (372,191)	\$ -	\$ 372,191
Grand Total	7.4%	\$ 7,791,899	\$ 113,515,179	\$ 105,723,280

Below is an explanation of each major change in expenses.

- ✓ Worker's compensation and liability insurance rates both went up in FY13. The elimination of the furlough program also increased worker's compensation costs.
- ✓ Planning and Zoning absorbed part of labor costs from Public Works reorganization as well as funding a long range planner position for part of the year.
- ✓ The Contingency, Roads and Capital (pay-go) line increase reflects a planned increase in the general fund support provided to Roads operation of nearly \$700 thousand, nearly \$1.6 million transfer to pay-go capital projects and an unanticipated increase of \$97 thousand for Youth and Civic Center operating appropriations.
- ✓ Pension and Retirement funding had been scaled back significantly during FY10, FY11 and FY12 to preserve fund balance reserves in the face of economic uncertainty. Contributions to the trusts were largely restored in FY13.

- ✓ Volunteer Fire Company sinking fund contribution of \$350,000 was eliminated in FY12 and restored in FY13 with a small increase to amortize the lost contribution over time.
- ✓ Elections and Registration increase reflects the additional costs associated with the November 2012 Presidential election cycle funded in FY13.
- ✓ Sheriff's department increase is a combination of elimination of furloughs, a 2% cost-of-living increase and procurement of eleven replacement vehicles with associated equipment.
- ✓ The States Attorney's increase came primarily from the addition of a new attorney in FY13
- ✓ Wor-Wic Community College operating grant was increased \$200,000 to begin restoration of significant reductions in FY10, FY11 and FY12.
- ✓ The Board of Education increase of nearly \$2.4 million is the net of \$200 thousand maintenance of effort (MOE) increase, \$570 thousand increase above MOE, the first year of required contribution to the State Teacher Pension system of \$2.2 million less savings on bond principal and interest resulting from bond refunding actions in October 2012.
- ✓ The aggregate increase for all other departments is driven by the elimination of employee furloughs after three consecutive years and the granting of a 2% cost-of-living pay increase, the first in four years.
- ✓ Corrections increase over FY12 came from filling vacant positions and the effect of COLA and furlough elimination.
- ✓ Hospitalization and Disability expenses decreased due to an overall health insurance rate decrease of 2.6%, employee elected coverage changes and a reduction in unemployment insurance payments as the costs of prior year layoffs ended.
- ✓ The County's portion of principal and interest expenses for FY13 went down as a result of bond refunding in October of 2012.
- ✓ The General Services expenses show a dramatic decrease due exclusively to a one-time capital expense in FY12 to replace the chiller system in the Government Office Building (GOB).
- ✓ The Public Works budget line was eliminated in FY13 as part of the reorganization between Planning & Zoning and the Public Works function. Operating costs (budgets) were reallocated to Planning & Zoning, Roads and Solid Waste.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements, notes, and supplementary information. The Statement of Net Position and the Statement of Activities (on pages 21 and 22) provide information about the activities of the County as a whole (i.e. government-wide) and present a longer-term view of the County's finances. Fund financial statements start on page 23 and report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds, detailing how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. Footnotes accompany the financial statements and should be read in conjunction with them. The series of supplemental schedules located at the end of the report provide more detailed information about activities that roll up into the government-wide or fund statements that may be of interest to selected segments of County citizens.

REPORTING THE RESULTS OF OPERATIONS OF THE COUNTY AS A WHOLE GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most frequent questions asked about the County's finances is, "Is the County as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities beginning on page 21, reports information about the County as a whole and about its activities in a way that helps answer the question. These statements include all assets and liabilities using the accrual method of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Of course, many other factors impact the overall health of the County, including changes in the County's property tax base, the condition of the County's roads, and the impact of the revenue cap. In addition, it should be noted that when the County borrows money to build or improve school buildings, the buildings and improvements themselves appear on the Board of Education's financial statements as an asset while the debt appears on the County's financial statements without the accompanying asset. As of June 30, 2013, the County carried about \$79.01 million in debt on its portion of the financial statement under primary government related to school assets that appear in the component units section under Board of Education.

On the Statement of Net Position and the Statement of Activities, the County is divided into three kinds of activities:

- Government activities - Most of the County's basic services are reported here, including public safety, recreation, and general administration. Property taxes, other taxes, fees and some grants finance most of these activities. Many of these activities are not intended to be self-supporting and therefore show a negative result for the year.

- Business-type activities - In this section, we show those activities where the County charges a fee to customers to help cover all or part of the cost of certain services it provides, such as solid waste disposal.
- Component units - The County includes 2 separate legal entities in its report - the Board of Education and the Wicomico County Free Library. Although legally separate, "component units" are important because the County is financially accountable for all or part of their operations.

Table 1

Highlights from the primary government portion of the Statement of Net Position as of June 30, 2013 and 2012:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	96.32	84.79	25.06	25.15	121.38	109.94
Capital assets	72.54	74.05	63.63	65.75	136.17	139.80
Total Assets	168.86	158.84	88.69	90.90	257.55	249.74
Current and other liabilities	14.80	19.47	3.66	3.24	18.46	22.71
Long-term liabilities	93.39	87.74	9.20	9.61	102.59	97.35
Total Liabilities	108.19	107.21	12.86	12.85	120.05	120.06
Invested in capital assets, net of related debt	12.91	5.74	62.10	63.27	75.01	69.01
Restricted net position	20.99	17.20	0.17	0.17	21.16	17.37
Unrestricted net position	26.77	28.69	13.56	14.62	40.33	43.31
Total Net Position	60.67	51.63	75.83	78.06	136.50	129.69

The Statement of Net Position for governmental activities for the fiscal year ending June 30, 2013 shows total net position of \$60.67 million, with an unrestricted net position amount of \$26.77 million. The County's business-type activities show \$13.56 million in unrestricted net position, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

The net position of business-type activities generally is not used to make up for any deficit in governmental activities. Historically, the County only uses the net position to finance the continuing operations of the business-type activities they support.

Table 2

Selected highlights from the Statement of Activities as of June 30, 2013 and 2012:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Component Units	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	9.07	7.93	21.08	21.41	1.93	2.33
Operating & Capital Grants	7.24	9.31	1.77	2.01	46.62	41.37
General Revenues						
Property Taxes	60.92	58.55	-	-	-	-
Local Taxes	45.21	45.33	1.12	1.06	-	-
Other	1.34	2.29	0.37	0.43	153.20	145.09
Total Revenues	123.78	123.41	24.36	24.91	201.75	188.79
Program Expenses						
Governmental Activities						
General Government	22.06	20.90	-	-	-	-
Public Safety	27.00	24.68	-	-	-	-
Public Works	8.60	8.50	-	-	-	-
Health & Welfare	4.68	4.48	-	-	-	-
Education	46.28	41.42	-	-	-	-
Culture and Recreation	3.82	2.97	-	-	-	-
Interest on Long-term debt	3.39	4.11	-	-	-	-
Business-Type Activities						
Solid Waste	-	-	6.28	7.05	-	-
Airport	-	-	4.24	3.79	-	-
Nursing Home	-	-	8.85	9.03	-	-
Youth & Civic Center	-	-	4.90	4.41	-	-
Other	-	-	2.22	1.93	-	-
Component Units						
Board of Education	-	-	-	-	196.33	191.59
Library	-	-	-	-	2.53	2.53
Total Expenses	115.83	107.06	26.49	26.21	198.86	194.12
Excess (Deficiency) Before Special Items and Transfers	7.95	16.35	(2.13)	(1.30)	2.89	(5.33)
Special Items	0.94	(0.49)	0.04	-	-	-
Transfers	0.12	(1.08)	(0.12)	1.08	-	-
Change in Net Position	9.01	14.78	(2.21)	(0.22)	2.89	(5.33)
Net Position - Beginning of year ²	51.67	36.84	78.04	78.28	229.61	234.94
Net Position - End of year	60.68	51.62	75.83	78.06	232.50	229.61

¹ Numbers may not add due to rounding² Net Position - Beginning of year are restated as explained in the notes to the financial statements on page 101

Table 2 above shows that the County's total net position (Government + Business) increased by \$6.80 million from fiscal year 2012. This increase was the result of revenues exceeding expenses.

Table 3

Net Cost of Governmental and Business - Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2013	2012	2013	2012	2013	2012
Governmental						
General government	8.02	7.91	22.06	20.90	14.04	12.99
Public safety	3.23	2.89	27.00	24.68	23.77	21.79
Public works	1.64	1.99	8.60	8.50	6.96	6.51
Education	-	-	46.28	41.42	46.28	41.42
Others	3.42	4.45	8.50	7.45	5.08	3.00
Business Type	22.87	23.42	26.49	26.21	3.62	2.79

Table 3 presents the net cost of the County's governmental and business-type activities. The net cost shows the financial burden that was placed on the County's taxpayers. All business activities, except Urban Services and Convention and Visitors Bureau, experienced a net loss before contributions and transfers during fiscal year 2013; see page 28 for details by activity.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS - FUND FINANCIAL STATEMENTS

The County's fund financial statements begin on page 23 and provide detailed information about the most significant funds, as opposed to the government-wide financial statements that provide information about the government as a whole. Some funds are required to be established by legislation or other restrictions, but the County Council can also establish other funds to help it manage money for particular purposes, such as grants. Under accounting standards, the County's two types of funds – governmental and proprietary (enterprise) – use different accounting approaches.

- Governmental funds – Many of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on a separate page following the fund financial statements.
- Proprietary (enterprise) funds – When the County charges customers for services it provides, these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The County's governmental funds (as presented on page 23) report a combined fund balance of \$88.7 million, an increase from fiscal year 2012's balance of \$16.7 million. (71,959,382 in FY12)

The General Fund

For fiscal year 2013, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$116.7 million. During the year there was one increase in budget appropriation of \$50,148 to complete work on the Detention Center's fire sprinkler system. The final budgetary appropriation, after adjusting for carry-forward, Civic Center event and Tourism expenditures and transfers in, was about \$117.4 million. The County actually spent about \$113.5 million; \$3.9 million less than appropriated and \$12.3 million more than actually spent in fiscal year 2012.

New revenues for fiscal year 2013 were estimated to be about \$114.1 million, an increase over last year of about \$8.0 million. Actual revenue, including transfers-in, totaled \$117.8 million. Actual expenditures were less than actual revenues, resulting in an increase in fund balance of \$4.3 million. This is the third year in a row where there was a net improvement in fund balance.

Roads Special Revenue Fund

The State began withholding Highway User Revenue (HUR) payments from counties in fiscal year 2010: a reduction of \$7M in the first year. This loss of revenue has been offset over the succeeding years by a combination of expense reductions, planned use of Roads prior year fund balance and transfers from the County's general fund. For FY2013, \$4,557,267 was transferred from the General Fund to Roads. Total new revenue (including transfer in) for FY13 was \$6.7 million. Total FY13 expenses were \$6.9 million, resulting in a use of prior year fund balance of \$200,000. This is still substantially less than the \$1.2 million of prior year revenue that had been budgeted. The largest contributors to operating cost savings were unfilled positions, deferral of heavy equipment purchases, lower than expected bridge maintenance costs, and a light snow removal season.

Enterprise Funds

The County has a number of enterprise funds listed on page 27 of the financial statement. Urban Services, Convention & Visitors Bureau, and Civic Center each showed an increase in net position. Solid Waste, Airport, Nursing Home, and Other (Electrical Board with Economic Development Loan Proceeds) each showed a decrease in net position. Solid Waste still produced a net positive cash flow because non-cash (primarily depreciation) expenses were less than receipts. The other funds each consumed cash while providing services.

See notes to the financial statements on pages 34-35.

Capital Asset and Debt Administration

At the end of fiscal year 2013, the County's primary government had about \$136.17 million invested in a broad range of capital assets, including buildings, park facilities, roads & bridges, and equipment, net of depreciation. Table 4 shows highlights of the County's primary government's key capital assets, as of year-end.

Table 4 - Capital Assets as of June 30, 2013 and 2012

	(In millions of dollars)						
	Governmental Activities		Business-Type Activities		Total		
	2013	2012	2013	2012	2013	2012	
Land, Buildings & Infrastructure	244.83	241.64	135.09	132.37	379.92	374.01	
Accumulated Depreciation	(172.29)	(167.59)	(71.46)	(66.62)	(243.75)	(234.21)	
Total Capital Assets, Net of Depreciation	72.54	74.05	63.63	65.75	136.17	139.80	

Total FY13 Governmental Activities Capital Assets, net of depreciation, declined \$1.5 million from FY12. There was a growth in assets before depreciation of \$2.8 million. Business-type activities experienced a \$2.1 million decline in total capital assets net of depreciation, with a \$2.7 million increase in new capital assets almost all of which came from investments at the Airport. More details about the County's capital assets are presented in the Capital Assets footnote to the financial statements beginning on pages 59 and 60.

Debt

At year-end, the County had about \$95.7 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$91.8 million last year – an increase of about 4.3% percent – as shown in table 5. This reflects the net change from scheduled debt retirement plus the issuance of \$12.5 million in new debt to continue funding the Bennett Middle School replacement project.

Table 5

Outstanding Debt at Year-End

	(In millions of dollars)						
	Governmental Activities		Business-Type Activities		Total		
	2013	2012	2013	2012	2013	2012	
General obligation bonds*	94.771	91.034	0.484	0.724	95.255	91.758	
Loans	-	-	0.427	-	0.427	-	
Leases and notes payable	4.060	4.060	0.617	1.008	4.677	5.068	
Debt not subject to limitation	(4.060)	(4.060)	(0.617)	(1.008)	(4.677)	(5.068)	
Totals	94.771	91.034	0.911	0.724	95.682	91.758	

The County's general obligation bond rating in fiscal year 2013 was AA- from Fitch and Standard and Poor's, and Aa3 from Moody's.

The County's charter limits the amount of general obligation debt that the County can issue to 3.2 percent of the assessable base of real property plus 8 percent of the assessable base of personal property and certain operating real property of public utilities. The County's outstanding general obligation debt of \$95.7 million is significantly below this \$235.7 million limit.

The County issued \$28,335,000 of General Obligation Consolidated Public Improvement and Refunding Bonds in October of 2012. \$12.5 million of this was applied to the continued construction of Bennett Middle School with the remainder used to refund certain outstanding maturities of fifteen previous bond issues plus issuance costs of the bonds.

The fiscal year 2014 capital improvement program (CIP), approved in February of 2013, affirmed the county's commitment to proceed with replacement of Bennett Middle School (BMS). New bond debt of \$12.5 million was issued in October 2013 to continue funding of BMS construction (\$11.0M) plus begin funding renovation of Parkside High School.

THE COUNTY AS TRUSTEE REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

The County is the trustee, or fiduciary, for its employees' pension and other-post employment benefits (OPEB) plans. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. Besides the pension and OPEB trusts, the County has eight fiduciary funds which are reported under “Agency Funds” in the separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 30 and 31. We exclude fiduciary activities from the County's other financial statements because the County cannot use these assets to finance its operation. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

ECONOMIC FACTORS

The County's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities, including:

- The Economy

The revenue estimates for the fiscal year 2013 budget were formulated in the winter of 2012. At the time, local employment had been increasing for 14 consecutive months from December of 2011 through February 2012. The FY13 income tax revenue estimate was set at \$40.5 million reflecting an expectation of continued employment growth, which generally translates into higher income tax revenue receipts. The actual revenue for FY13 was \$41.0 million. As noted in the FY12 economic discussion, it was expected that the State income tax distribution computation would generate a negative distribution anomaly in FY13. This effect was observed as the actual FY12 income tax revenue was \$817 thousand higher than FY13 despite the fact that employment was 1.8% higher in FY13 than it was in FY12.

The FY14 income tax revenue estimate of \$42.6 million was based on the strong and continuous 2.2% annual employment growth rate from December 2011 through January 2013. However, this positive trend turned negative during 2013 which will likely result in actual revenue for FY14 being less than budgeted.

The value of the net assessable real property tax base declined by \$406 million or 6.2% from fiscal year 2012 to fiscal year 2013. It also declined \$332 million or 5.7% from fiscal year 2013 to 2014. Based on November 2013 State Department of Assessment and Taxation (SDAT) estimates, the decline to fiscal year 2015 is estimated to be 1.7%. The decline in the value of the assessable base is the direct result of the collapse in the housing market that began in 2006. The home sale prices and recordation tax activity through the fall of 2013 suggest that the county housing market has stabilized and is showing signs of recovery. However, the three year property assessment cycle, the phase-in of tax value increases and the County's 5% Homestead Tax Credit will make a recovery in the taxable base very slow. This outlook is an improvement over last year as the rate of decline of the tax base is slowing faster than previously estimated.

A declining real property tax base does not translate directly into reduced revenue for the county, but it does require annual property tax rate increases to collect the same amount of revenue year-over-year (the constant yield rate). Revenue growth to offset the effects of lost purchasing power caused by inflation, up to the limit permitted by the revenue cap (the lesser of 2% or the Consumer Price Index for all urban consumers (CPI-U)) will require an additional increase in the tax rate each year. Thus, setting a real property tax rate in the context of a declining base and in a still weakened economy continues to be the largest strategic challenge facing leadership.

- **State Funding**

While the economy of the State of Maryland as a whole improved in FY13, the State continued to transfer costs to the counties and limit revenue redistribution. For example, the counties were still required to pay 90% of the operating costs for the State Department of Assessment and Taxation (SDAT), a \$741 thousand bill to Wicomico County; the disparity grant remained capped at the FY10 level and almost all Highway User Revenue (HUR) collected by the state is being retained for state projects: in fact, the State has made it clear that it regards funding of local transportation infrastructure to be a local government responsibility. Finally, FY13 was the first year where counties must now pay to their local board of education the normal-cost portion of teacher pension costs: for Wicomico County this was \$2.2 million new expense.

The State's FY14 budget was based on estimates for continued economic growth. Unfortunately, the Federal Government created a substantial drag on the Maryland economy through the effects of sequestration, government shut-down, debt ceiling debate and other legislative/political uncertainties. The net result has been a write-down of the FY14 revenue estimate and the opening of a substantial deficit (\$400 million projected) in the FY15 budget.

Next Year's Budget - fiscal year 2014

The County believes that the worst of the Great Recession is over, but full recovery is still some years away. The total number of County citizens employed grew 3.9% from the recession low in November 2010 through May 2013. Sales and use tax receipts, a proxy measure for local economic activity, increased 6.9% over the same period. The average price of a residential home stabilized in December 2011 and has increased 5.8% from that date through May 2013 (using a 12 month moving average). Recordation tax receipts are up 11% in fiscal year 2013 over the recession low in fiscal year 2011.

Fiscal year 2014 revenue is estimated to be \$127,677,324; this is 9.3% or nearly \$11 million over the fiscal year 2013 budget. The largest increase of \$4.5 million comes from the State of Maryland's partial lifting of the 2010 cap on the disparity grant distribution. While the County qualified for the largest available State distribution, the distribution was still limited to 60% of the grant formula. If the State had fully restored the disparity grant, Wicomico County would have received an additional \$4.4 million. Income tax revenue was expected to be \$2.1 million higher due to a combination of employment growth and the full tax-year effect of the 0.1% rate increase to 3.2% that took effect January 1, 2013. However, with the decline in employment since the formulation of the revenue estimate, that growth is highly unlikely to be realized.

The real property tax rate was again set to the maximum rate allowed under the County Charter, \$0.9086 per \$100 in valuation. This is 6.82 cents higher than the fiscal year 2013 rate and will result in a net increase of revenue from real property of \$1.5 million including new construction.

The 2013 Maryland General Assembly enacted new legislation allowing counties to set the tax rate on personal property to a rate at or below 2.5 times the real property tax rate; it had previously been set to 2.5 times. Wicomico County took advantage of this new law to encourage economic development and set the personal property tax rate 13.48 cents lower than the maximum allowed rate. Also implemented in the fiscal year 2014 budget was a five year phase-out of the County's personal property tax on business inventory; another initiative to support economic development and improve the County's competitive position in the region. The effect of the inventory phase-out, lower tax rate and projected growth in the personal property tax base is estimated to be slightly revenue positive.

Budgeted use of prior year revenue increased \$1.9 million to a total of \$4.5 million. All of these funds will be used for capital expenditures.

The strategy for managing an expanding expense budget is to match expense type to funding source, that is, recurring annual operating expenses will be paid for with recurring annual revenues while investment in capital assets, infrastructure and other non-recurring expenses will be paid for by non-recurring revenue sources such as use of prior year fund balance or "extra" recurring revenue. The fiscal year 2014 budget allocates \$8.5 million to capital investment and other non-recurring expenses. Prior year revenue, \$4.5 million, will cover 53% of those expenses with the balance of \$4 million coming from recurring revenue sources. Thus, of the \$11 million growth in total budget \$8.5 million or 77% is allocated to re-investment in facilities and capital operating assets.

The significant changes in budgeted fiscal year 2014 expenses over budgeted fiscal year 2013 expenses are summarized below.

- plus \$2,803,200 for reimbursable capital project support for K-12 education facilities
- plus \$1,346,872 for local K-12 education operations, including \$581,498 incremental increase in teacher pension supplemental payment
- plus \$666,090 operating grant increase to Wor-Wic Community College (96% of the Disparity Grant increase was budgeted directly for Education, including increases to Library and Extension Service while excluding the teacher pension increment)
- plus \$2,292,733 contribution to Roads fund for capital equipment procurement and road maintenance
- plus \$1,681,058 to increase contribution level to County Pension Fund
- plus \$819,972 to expand the staff of the States Attorney's Office to support case load as well as move to new leased office space.
- plus \$655,000 to Recreation and Parks for fleet replacement plan and mobile radio system replacement
- plus \$633,537 net change to establish a vehicle fleet replacement plan for Sheriff's Department
- minus \$2,203,242 in general obligation principal and interest payments resulting from scheduled retirement of debt

- minus \$589,997 in general fund contribution to pay-go capital projects
- minus \$313,582 reduction in State mandated payment support for State Department of Assessment and Taxation operations
- the remainder of the change is attributed to an across the board 1.7% cost-of-living pay raise, some department specific compensation adjustments, numerous smaller capital expenditures and the inclusion of a pass-through agency funding arrangement.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County’s finances and to show the County’s accountability for the money it receives. If you have questions about this report, please contact one of the following:

Policy Decisions			
County Executive Rick Pollitt or Director of Administration Wayne Strausburg			410-548-4801
Financial Results	Director of Finance	Andrew G. Mackel	410-548-4840
Fund Financial Statements	Assistant for Accounting	John Ellis	410-548-4844

**BASIC FINANCIAL
STATEMENTS**

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

Primary Government

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
ASSETS			
Cash and cash equivalents	\$ 86,057,741	\$ 20,905,841	\$ 106,963,582
Certificates of deposit	-	200,000	200,000
Receivables, taxes and other	1,475,326	2,445,708	3,921,034
Notes receivable	199,904	426,448	626,352
Due from other governmental agencies	5,870,314	1,273,315	7,143,629
Internal balances	551,758	(551,758)	-
Advance due from other funds	75,000	124,423	199,423
Inventories	332,534	226,339	558,873
Deferred charges - issuance costs	621,540	-	621,540
Prepaid expenses	1,131,907	13,886	1,145,793
Net capital assets	72,544,207	63,630,479	136,174,686
Total assets	<u>168,860,231</u>	<u>88,694,681</u>	<u>257,554,912</u>
LIABILITIES			
Accounts payable and accrued expenses	3,161,951	1,892,353	5,054,304
Accrued payroll and taxes	1,275,890	377,238	1,653,128
Due to other governmental agencies	362,395	11,990	374,385
Deferred revenues	98,571	784,114	882,685
Long-term liabilities:			
Due within one year			
Capital lease obligations	201,329	303,187	504,516
Bonds, notes, and loans payable	8,241,742	186,832	8,428,574
Accrued interest payable	378,991	8,943	387,934
Compensated absences	995,700	93,070	1,088,770
Other liabilities to governmental agencies	83,300	-	83,300
Due in more than one year			
Capital lease obligations	3,858,656	314,214	4,172,870
Bonds, notes, and loans payable	86,529,617	724,001	87,253,618
Compensated absences	2,622,387	306,572	2,928,959
Advance from other funds	-	199,423	199,423
Other liabilities to governmental agencies	377,356	-	377,356
Accrued landfill closure and post-closure cost	-	7,660,305	7,660,305
Total liabilities	<u>108,187,885</u>	<u>12,862,242</u>	<u>121,050,127</u>
NET POSITION			
Invested in capital assets, net of related deb	12,910,181	62,102,245	75,012,426
Restricted for			
Capital projects	6,938	-	6,938
Other	20,990,670	173,595	21,164,265
Unrestricted	26,764,557	13,556,599	40,321,156
Total net position	<u>\$ 60,672,346</u>	<u>\$ 75,832,439</u>	<u>\$ 136,504,785</u>

The accompanying notes are an integral part of these financial statements.

Component Units

<u>Board of Education</u>	<u>Wicomico County Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ 30,211,762	\$ 672,632	\$ 30,884,394	\$ 137,847,976
-	10,265	10,265	210,265
495,416	1,774	497,190	4,418,224
-	-	-	626,352
6,601,910	8,196	6,610,106	13,753,735
-	-	-	-
-	-	-	199,423
11,255	-	11,255	570,128
-	-	-	621,540
2,436,472	-	2,436,472	3,582,265
214,820,464	1,672,723	216,493,187	352,667,873
<u>254,577,279</u>	<u>2,365,590</u>	<u>256,942,869</u>	<u>514,497,781</u>
15,018,362	14,081	15,032,443	20,086,747
1,233,456	24,552	1,258,008	2,911,136
184,671	-	184,671	559,056
2,622,099	12,796	2,634,895	3,517,580
934,438	-	934,438	1,438,954
-	-	-	8,428,574
-	-	-	387,934
294,275	74,790	369,065	1,457,835
-	-	-	83,300
1,287,288	-	1,287,288	5,460,158
-	-	-	87,253,618
2,641,283	92,559	2,733,842	5,662,801
-	-	-	199,423
-	-	-	377,356
-	-	-	7,660,305
<u>24,215,872</u>	<u>218,778</u>	<u>24,434,650</u>	<u>145,484,777</u>
212,598,738	1,672,723	214,271,461	289,283,887
6,608,505	-	6,608,505	6,615,443
5,045,300	21,146	5,066,446	26,230,711
6,108,864	452,943	6,561,807	46,882,963
<u>\$ 230,361,407</u>	<u>\$ 2,146,812</u>	<u>\$ 232,508,219</u>	<u>\$ 369,013,004</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Primary Government Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services, Fees, Fines, Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 22,058,271	\$ 3,362,505	\$ 4,660,408	\$ -
Public safety	27,002,256	2,165,984	1,066,772	-
Public works	8,602,509	1,602,212	35,637	-
Health and welfare	4,682,015	649,839	1,096,631	-
Education	46,278,276	-	-	-
Culture and recreation	3,817,522	1,290,762	378,624	-
Interest on long-term debt	3,393,184	-	-	-
Total governmental activities	<u>115,834,033</u>	<u>9,071,302</u>	<u>7,238,072</u>	<u>-</u>
Business-type activities				
Solid Waste	6,280,048	5,769,845	-	-
Airport	4,235,414	1,195,026	1,748,178	-
Nursing Home	8,854,463	8,529,705	1,240	-
Urban Services	582,514	597,663	-	-
Convention & Visitors Bureau	1,589,769	904,421	40,907	-
Civic Center	4,898,632	4,049,984	-	-
Other business-type activities	48,887	32,913	-	-
Total business-type activities	<u>26,489,727</u>	<u>21,079,557</u>	<u>1,790,325</u>	<u>-</u>
Total primary government	<u>\$ 142,323,760</u>	<u>\$ 30,150,859</u>	<u>\$ 9,028,397</u>	<u>\$ -</u>
Component Units				
Board of Education	\$ 196,328,123	\$ 1,750,042	\$ 39,338,003	\$ 6,888,005
Wicomico County Free Library	2,525,256	179,509	300,487	97,038
Total component units	<u>\$ 198,853,379</u>	<u>\$ 1,929,551</u>	<u>\$ 39,638,490</u>	<u>\$ 6,985,043</u>

GENERAL REVENUES

Taxes
 Property taxes, levied for general purposes
 Income and other miscellaneous taxes
 Grants and contributions not restricted to specific programs
 Payment from Wicomico County - unrestricted contributions
 Unrestricted investment earnings
 Miscellaneous

SPECIAL ITEMS

 Net gain on disposal of fixed assets
 Donation of fixed assets to County

TRANSFERS

 Total general revenues, special items, and transfers
 Change in net position
 Net position, as restated - beginning
 Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Component Units

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Board of Education</u>	<u>Wicomico County Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ (14,035,358)	-	\$ (14,035,358)	\$ -	\$ -	\$ -	\$ (14,035,358)
(23,769,500)	-	(23,769,500)	-	-	-	(23,769,500)
(6,964,660)	-	(6,964,660)	-	-	-	(6,964,660)
(2,935,545)	-	(2,935,545)	-	-	-	(2,935,545)
(46,278,276)	-	(46,278,276)	-	-	-	(46,278,276)
(2,148,136)	-	(2,148,136)	-	-	-	(2,148,136)
(3,393,184)	-	(3,393,184)	-	-	-	(3,393,184)
<u>(99,524,659)</u>	<u>-</u>	<u>(99,524,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,524,659)</u>
-	(510,203)	(510,203)	-	-	-	(510,203)
-	(1,292,210)	(1,292,210)	-	-	-	(1,292,210)
-	(323,518)	(323,518)	-	-	-	(323,518)
-	15,149	15,149	-	-	-	15,149
-	(644,441)	(644,441)	-	-	-	(644,441)
-	(848,648)	(848,648)	-	-	-	(848,648)
-	(15,974)	(15,974)	-	-	-	(15,974)
-	<u>(3,619,845)</u>	<u>(3,619,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,619,845)</u>
<u>\$ (99,524,659)</u>	<u>\$ (3,619,845)</u>	<u>\$ (103,144,504)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (103,144,504)</u>
\$ -	\$ -	\$ -	\$ (148,352,073)	\$ -	\$ (148,352,073)	\$ (148,352,073)
-	-	-	-	(1,948,222)	(1,948,222)	(1,948,222)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (148,352,073)</u>	<u>\$ (1,948,222)</u>	<u>\$ (150,300,295)</u>	<u>\$ (150,300,295)</u>
\$ 60,916,378	\$ -	\$ 60,916,378	\$ -	\$ -	\$ -	\$ 60,916,378
45,205,715	1,124,455	46,330,170	-	-	-	46,330,170
-	-	-	111,997,661	901,514	112,899,175	112,899,175
-	-	-	39,173,593	1,052,569	40,226,162	40,226,162
106,682	31,416	138,098	10,701	749	11,450	149,548
1,231,611	343,292	1,574,903	60,150	-	60,150	1,635,053
1,039	36,702	37,741	-	-	-	37,741
940,733	-	940,733	-	-	-	940,733
122,196	(122,196)	-	-	-	-	-
<u>108,524,354</u>	<u>1,413,669</u>	<u>109,938,023</u>	<u>151,242,105</u>	<u>1,954,832</u>	<u>153,196,937</u>	<u>263,134,960</u>
8,999,695	(2,206,176)	6,793,519	2,890,032	6,610	2,896,642	9,690,161
51,672,651	78,038,615	129,711,266	227,471,375	2,140,202	229,611,577	359,322,843
<u>\$ 60,672,346</u>	<u>\$ 75,832,439</u>	<u>\$ 136,504,785</u>	<u>\$ 230,361,407</u>	<u>\$ 2,146,812</u>	<u>\$ 232,508,219</u>	<u>\$ 369,013,004</u>

WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 40,859,821	\$ 540,913	\$ 39,775,859
Taxes receivable, net	507,154	-	-
Other receivables	705,575	-	-
Due from other funds	551,758	-	-
Due from other governmental agencies	4,937,305	756,040	-
Advance from other funds	75,000	-	-
Inventories	-	-	-
Prepaid expenses	119,619	-	-
Total assets	<u>47,756,232</u>	<u>1,296,953</u>	<u>39,775,859</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	1,514,826	315,779	578,541
Accrued payroll and taxes	1,143,238	36,384	-
Payable to other governmental agencies	362,395	-	-
Deferred revenues	300,133	72,335	-
Accrued compensated absences	950,875	-	-
Total liabilities	<u>4,271,467</u>	<u>424,498</u>	<u>578,541</u>
Fund balances			
Nonspendable	119,619	-	-
Restricted	1,643,279	872,455	36,791,740
Committed	10,927,751	-	2,405,578
Assigned	2,179,833	-	-
Unassigned	28,614,283	-	-
Total fund balances	<u>43,484,765</u>	<u>872,455</u>	<u>39,197,318</u>
Total liabilities and fund balances	<u>\$ 47,756,232</u>	<u>\$ 1,296,953</u>	<u>\$ 39,775,859</u>

The accompanying notes are an integral part of these financial statements.

<u>Roads</u>	<u>Recreation</u>	<u>Agricultural Tax</u>	<u>Total Governmental Funds</u>
\$ 3,532,390	\$ 1,339,495	\$ 9,263	\$ 86,057,741
-	-	-	507,154
261,884	713	-	968,172
-	-	-	551,758
-	-	-	5,693,345
-	-	-	75,000
326,990	5,544	-	332,534
-	-	-	119,619
<u>4,121,264</u>	<u>1,345,752</u>	<u>9,263</u>	<u>94,305,323</u>
113,994	51,563	1,322	2,576,025
66,213	30,055	-	1,275,890
-	-	-	362,395
15,674	171	7,941	396,254
44,825	-	-	995,700
<u>240,706</u>	<u>81,789</u>	<u>9,263</u>	<u>5,606,264</u>
326,990	5,544	-	452,153
307,759	62,283	-	39,677,516
-	-	-	13,333,329
3,245,809	1,196,136	-	6,621,778
-	-	-	28,614,283
<u>3,880,558</u>	<u>1,263,963</u>	<u>-</u>	<u>88,699,059</u>
<u>\$ 4,121,264</u>	<u>\$ 1,345,752</u>	<u>\$ 9,263</u>	<u>\$ 94,305,323</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance, governmental funds	\$	88,699,059
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Net capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		72,544,207
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Notes receivable		199,904
Net pension asset		1,012,288
Provision of deferred taxes		297,683
Other receivables		176,969

Long-term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the fund financial statements:

Net OPEB obligation		(585,926)
Capital lease obligations		(4,059,985)
Bonds, notes, and loans payable		(94,771,359)
Deferred charges - issuance costs		621,540
Accrued interest payable		(378,991)
Compensated absences		(2,622,387)
Other liabilities to governmental agencies		(460,656)

Net position of governmental activities in the Statement of Net Position	\$	60,672,346
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WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
REVENUES			
Property taxes	\$ 60,969,775	\$ -	\$ -
Income taxes	41,027,904	-	-
Other taxes	3,560,300	-	-
Licenses and permits	1,242,057	-	-
Intergovernmental	4,866,193	2,875,500	178,984
Charges for services	4,245,198	5,425	-
Fines and forfeitures	138,681	-	-
Miscellaneous	1,175,008	252	-
Investment earnings	102,197	110	-
Total revenues	<u>117,327,313</u>	<u>2,881,287</u>	<u>178,984</u>
EXPENDITURES			
Current			
General government	9,012,390	1,179,627	17,904,054
Public safety	13,781,870	542,082	114,980
Detention Center	10,730,386	-	-
Public works	420,679	30,973	821,788
Health and welfare	3,193,763	-	43,657
Social services	241,488	1,126,036	-
Education	43,429,115	-	2,552,429
Culture and recreation	1,620,896	140,044	127,252
Miscellaneous	11,414,194	-	-
Debt service			
Principal	9,199,959	-	-
Interest and other charges	3,553,567	-	-
Total expenditures	<u>106,598,307</u>	<u>3,018,762</u>	<u>21,564,160</u>
Excess (deficiency) of revenues over expenditures	<u>10,729,006</u>	<u>(137,475)</u>	<u>(21,385,176)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	-	-	13,303,981
Refunding bonds issued	-	-	17,665,825
Transfers in	500,504	156,286	3,054,028
Transfers out	<u>(6,916,872)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,416,368)</u>	<u>156,286</u>	<u>34,023,834</u>
Net change in fund balances	4,312,638	18,811	12,638,658
Fund balances, as restated - beginning	<u>39,172,127</u>	<u>853,644</u>	<u>26,558,660</u>
Fund balances - ending	<u>\$ 43,484,765</u>	<u>\$ 872,455</u>	<u>\$ 39,197,318</u>

The accompanying notes are an integral part of these financial statements.

<u>Roads</u>	<u>Recreation</u>	<u>Agricultural Tax</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 60,969,775
-	-	-	41,027,904
620,638	-	-	4,180,938
-	-	-	1,242,057
-	-	-	7,920,677
1,485,233	1,236,360	-	6,972,216
-	-	-	138,681
140,797	1,013	-	1,317,070
2,787	1,588	-	106,682
<u>2,249,455</u>	<u>1,238,961</u>	<u>-</u>	<u>123,876,000</u>
-	-	-	28,096,071
-	-	-	14,438,932
-	-	-	10,730,386
5,699,447	-	-	6,972,887
-	-	-	3,237,420
-	-	-	1,367,524
-	-	-	45,981,544
-	839,782	-	2,727,974
-	-	-	11,414,194
307,603	-	-	9,507,562
91,857	-	-	3,645,424
<u>6,098,907</u>	<u>839,782</u>	<u>-</u>	<u>138,119,918</u>
<u>(3,849,452)</u>	<u>399,179</u>	<u>-</u>	<u>(14,243,918)</u>
-	-	-	13,303,981
-	-	-	17,665,825
4,557,267	59,763	-	8,327,848
(821,376)	(467,404)	-	(8,205,652)
<u>3,735,891</u>	<u>(407,641)</u>	<u>-</u>	<u>31,092,002</u>
(113,561)	(8,462)	-	16,848,084
3,994,119	1,272,425	-	71,850,975
<u>\$ 3,880,558</u>	<u>\$ 1,263,963</u>	<u>\$ -</u>	<u>\$ 88,699,059</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ 16,848,084

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation expense, \$5,128,321 exceeded capital outlays, \$3,641,855, in the current period (1,486,466)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations on net position) (28,071)

Payment on behalf of County for Energy Systems Group energy efficient upgrades financed through a lease. (4,059,985)

Governmental funds report initial loans as expenditures. In contrast, the Statement of Activities reports the loans as notes receivable. Governmental funds report the principal and interest payments received on those loans as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the interest payments. Thus, the change in net position differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans. (56,349)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. (3,766,364)

Revenues and expenditures are reported in the statement of activities on the accrual basis and in the Governmental funds when they provide or use current financial resources. The following are differences between the Governmental funds and the statement of activities:

Taxes	(53,397)
Payment on other liability not reflected on governmental funds	105,304
Accruals not reported on governmental funds:	
Accrued interest	458,510
Accrued post-retirement employment benefits	1,094,358
Accrued compensated absences	(88,545)
Other revenues	32,616
	32,616

Change in net position of governmental activities \$ 8,999,695

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2013

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 13,261,373	\$ 1,074,812	\$ 379,575
Certificates of deposit	-	-	200,000
Accounts receivable, net	761,014	302,066	980,679
Notes receivable	-	85,290	-
Due from other governmental agencies	-	821,985	451,330
Inventories	127,229	-	49,321
Prepaid expenses	4,947	-	2,312
Total current assets	<u>14,154,563</u>	<u>2,284,153</u>	<u>2,063,217</u>
Non-current assets			
Advance due from other funds	-	-	-
Notes receivable	-	341,158	-
Capital assets			
Construction in progress	-	4,851,699	-
Intangibles	17,993	27,500	24,571
Land	176,633	6,402,061	11,156
Land improvements	487,982	886,001	41,915
Land disposal sites - liner costs	18,480,245	-	-
Runways and ramps	-	53,508,195	-
Buildings and improvements	563,072	13,611,176	3,263,926
Equipment and furniture	2,234,120	217,235	1,612,489
Vehicles	5,872,217	2,103,857	8,990
Less accumulated depreciation	<u>(19,214,760)</u>	<u>(38,358,245)</u>	<u>(2,921,168)</u>
Net capital assets	<u>8,617,502</u>	<u>43,249,479</u>	<u>2,041,879</u>
Total non-current assets	<u>8,617,502</u>	<u>43,590,637</u>	<u>2,041,879</u>
Total assets	<u>22,772,065</u>	<u>45,874,790</u>	<u>4,105,096</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	187,078	878,869	575,616
Accrued payroll and taxes	72,161	14,190	196,724
Due to other governmental agencies	-	-	-
Deferred revenues	126,711	145,280	-
Capital lease obligation	303,187	-	-
Bonds, notes, and loans payable	49,096	95,490	-
Accrued interest payable	494	103	-
Due to other funds	-	-	83,578
Compensated absences	49,677	10,839	-
Total current liabilities	<u>788,404</u>	<u>1,144,771</u>	<u>855,918</u>
Non-current liabilities			
Capital lease obligation	314,214	-	-
Bonds, notes, and loans payable	138,663	369,967	-
Compensated absences	140,012	35,325	-
Advance from other funds	-	-	-
Accrued landfill closure and post closure costs	7,660,305	-	-
Total non-current liabilities	<u>8,253,194</u>	<u>405,292</u>	<u>-</u>
Total liabilities	<u>9,041,598</u>	<u>1,550,063</u>	<u>855,918</u>
NET POSITION			
Invested in capital assets, net of related debt	7,812,342	42,784,022	2,041,879
Restricted for other	-	-	90,000
Unrestricted	5,918,125	1,540,705	1,117,299
Total net position	<u>\$ 13,730,467</u>	<u>\$ 44,324,727</u>	<u>\$ 3,249,178</u>

The accompanying notes are an integral part of these financial statements.

<u>Urban Services</u>	<u>Convention & Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 1,841,832	\$ 1,034,895	\$ 3,230,194	\$ 83,160	\$ 20,905,841
-	-	-	-	200,000
171,408	112,816	115,075	2,650	2,445,708
-	-	-	-	85,290
-	-	-	-	1,273,315
-	186	49,603	-	226,339
-	5,290	1,337	-	13,886
<u>2,013,240</u>	<u>1,153,187</u>	<u>3,396,209</u>	<u>85,810</u>	<u>25,150,379</u>
-	124,423	-	-	124,423
-	-	-	-	341,158
-	-	837,291	-	5,688,990
-	16,340	54,903	-	141,307
-	-	1,564,318	-	8,154,168
1,878,754	-	479,093	-	3,773,745
-	-	-	-	18,480,245
-	-	-	-	53,508,195
-	555,709	14,061,787	-	32,055,670
-	197,077	948,371	-	5,209,292
-	39,575	52,117	-	8,076,756
(1,699,316)	(373,292)	(8,891,108)	-	(71,457,889)
<u>179,438</u>	<u>435,409</u>	<u>9,106,772</u>	<u>-</u>	<u>63,630,479</u>
<u>179,438</u>	<u>559,832</u>	<u>9,106,772</u>	<u>-</u>	<u>64,096,060</u>
<u>2,192,678</u>	<u>1,713,019</u>	<u>12,502,981</u>	<u>85,810</u>	<u>89,246,439</u>
117,637	44,547	88,051	555	1,892,353
-	17,801	76,362	-	377,238
11,990	-	-	-	11,990
188,332	32,926	290,864	-	784,113
-	-	-	-	303,187
-	5,712	36,534	-	186,832
7,500	57	789	-	8,943
-	-	468,181	-	551,759
-	3,444	29,110	-	93,070
<u>325,459</u>	<u>104,487</u>	<u>989,891</u>	<u>555</u>	<u>4,209,485</u>
-	-	-	-	314,214
-	16,133	199,238	-	724,001
-	6,888	124,347	-	306,572
75,000	-	124,423	-	199,423
-	-	-	-	7,660,305
<u>75,000</u>	<u>23,021</u>	<u>448,008</u>	<u>-</u>	<u>9,204,515</u>
<u>400,459</u>	<u>127,508</u>	<u>1,437,899</u>	<u>555</u>	<u>13,414,000</u>
179,438	413,564	8,871,000	-	62,102,245
83,595	-	-	-	173,595
1,529,186	1,171,947	2,194,082	85,255	13,556,599
<u>\$ 1,792,219</u>	<u>\$ 1,585,511</u>	<u>\$ 11,065,082</u>	<u>\$ 85,255</u>	<u>\$ 75,832,439</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 5,769,845	\$ 1,195,026	\$ 8,513,221
Other operating revenue	-	-	16,484
Total operating revenues	<u>5,769,845</u>	<u>1,195,026</u>	<u>8,529,705</u>
OPERATING EXPENSES			
Personnel services	2,555,215	474,276	5,806,661
Contractual services	401,078	26,469	1,488,294
Utilities	145,206	141,209	317,634
Repairs and maintenance	1,257,070	224,739	93,887
Other supplies and expenses	284,710	157,762	896,737
Insurance claims and expenses	47,099	24,041	83,578
Provision for post-closure costs	309,933	-	-
Direct costs of events	-	-	-
Depreciation	1,247,855	3,265,814	147,499
Total operating expenses	<u>6,248,166</u>	<u>4,314,310</u>	<u>8,834,290</u>
Operating income (loss)	<u>(478,321)</u>	<u>(3,119,284)</u>	<u>(304,585)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	13,780	1,838	2,163
Miscellaneous revenue	47,730	633	7,198
Grants and contributions	-	1,748,178	1,240
Passenger facility charges, net of fees	-	285,861	-
Interest expense	(31,882)	(1,748)	(20,173)
Miscellaneous expense	-	80,644	-
Total non-operating revenue (expense)	<u>29,628</u>	<u>2,115,406</u>	<u>(9,572)</u>
Income (loss) before contributions and transfers	<u>(448,693)</u>	<u>(1,003,878)</u>	<u>(314,157)</u>
Transfers in	-	-	-
Transfers out	(551,252)	-	-
Special item - gain on disposal of capital assets	33,398	1,823	-
Change in net position	<u>(966,547)</u>	<u>(1,002,055)</u>	<u>(314,157)</u>
Total net position - beginning, as restated	<u>14,697,014</u>	<u>45,326,782</u>	<u>3,563,335</u>
Total net position - ending	<u>\$ 13,730,467</u>	<u>\$ 44,324,727</u>	<u>\$ 3,249,178</u>

The accompanying notes are an integral part of these financial statements.

<u>Urban Services</u>	<u>Convention & Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 597,663	\$ -	\$ 266,894	\$ 32,913	\$ 16,375,562
-	904,421	3,783,090	-	4,703,995
<u>597,663</u>	<u>904,421</u>	<u>4,049,984</u>	<u>32,913</u>	<u>21,079,557</u>
-	519,830	1,708,389	43,176	11,107,547
3,600	134,636	45,063	-	2,099,140
487,886	21,357	266,119	1,654	1,381,065
-	57,537	201,469	-	1,834,702
60,000	85,931	49,699	4,057	1,538,896
-	-	-	-	154,718
-	-	-	-	309,933
-	737,954	2,171,470	-	2,909,424
23,528	30,120	450,394	-	5,165,210
<u>575,014</u>	<u>1,587,365</u>	<u>4,892,603</u>	<u>48,887</u>	<u>26,500,635</u>
<u>22,649</u>	<u>(682,944)</u>	<u>(842,619)</u>	<u>(15,974)</u>	<u>(5,421,078)</u>
10,750	37	2,848	-	31,416
-	820,032	306,261	32	1,181,886
-	40,907	-	-	1,790,325
-	-	-	-	285,861
(7,500)	(979)	(6,029)	-	(68,311)
-	(1,425)	-	-	79,219
<u>3,250</u>	<u>858,572</u>	<u>303,080</u>	<u>32</u>	<u>3,300,396</u>
<u>25,899</u>	<u>175,628</u>	<u>(539,539)</u>	<u>(15,942)</u>	<u>(2,120,682)</u>
-	12,000	648,819	-	660,819
-	(158,763)	(73,000)	-	(783,015)
-	-	1,481	-	36,702
25,899	28,865	37,761	(15,942)	(2,206,176)
1,766,320	1,556,646	11,027,321	101,197	78,038,615
<u>\$ 1,792,219</u>	<u>\$ 1,585,511</u>	<u>\$ 11,065,082</u>	<u>\$ 85,255</u>	<u>\$ 75,832,439</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 5,520,914	\$ 566,276
Payments to suppliers for goods and services	(2,298,372)	(245,607)
Payments to employees for services	(2,547,437)	(480,048)
Net cash provided (used) by operating activities	675,105	(159,379)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(669,092)	-
Decrease in due from/advances from other funds	-	-
Operating grants and contributions	-	-
Other income	47,730	81,277
Net cash provided (used) by noncapital financing activities	(621,362)	81,277
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(31,890)	(1,749)
Acquisition and construction of capital assets	(145,744)	(2,115,006)
Principal payments on notes and bonds payable	(550,454)	(33,225)
Proceeds from sale of capital assets, net of expenses	33,398	1,823
Capital grants	-	1,763,554
Passenger facility charges, net of fees	-	285,861
Net cash provided (used) by capital and related financing activities	(694,690)	(98,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	13,780	1,838
NET INCREASE (DECREASE) IN CASH	(627,167)	(175,006)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,888,540	1,249,818
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,261,373	\$ 1,074,812
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (478,321)	\$ (3,119,284)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,247,855	3,265,814
Provision for bad debt	-	-
Changes in assets and liabilities:		
Accounts receivable	(211,401)	37,608
Other receivables	-	(426,448)
Prepaid expenses	(4,947)	-
Due to/from other governmental agencies	-	(656,012)
Inventories	(27,889)	-
Accounts payable and accrued expenses	(122,595)	749,289
Landfill closure and post-closure cost	309,933	-
Deferred revenues	(37,530)	(10,346)
Net cash provided (used) by operating activities	\$ 675,105	\$ (159,379)

The accompanying notes are an integral part of these financial statements.

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,242,531	\$ 593,534	\$ 963,341	\$ 4,202,275	\$ 30,263	\$ 20,119,134
(4,797,855)	(644,698)	(1,029,592)	(2,771,802)	(5,390)	(11,793,316)
(4,027,706)	-	(539,788)	(1,670,957)	(44,649)	(9,310,585)
<u>(583,030)</u>	<u>(51,164)</u>	<u>(606,039)</u>	<u>(240,484)</u>	<u>(19,776)</u>	<u>(984,767)</u>
-	-	(146,763)	575,819	-	(240,036)
-	-	19,334	182,385	-	201,719
2,163	-	-	-	-	2,163
2,109	-	818,607	306,261	32	1,256,016
<u>4,272</u>	<u>-</u>	<u>691,178</u>	<u>1,064,465</u>	<u>32</u>	<u>1,219,862</u>
(20,173)	(7,500)	(980)	(9,058)	-	(71,350)
(174,307)	-	-	(209,786)	-	(2,644,843)
(753,746)	-	(18,606)	(27,568)	-	(1,383,599)
-	-	-	27,336	-	62,557
-	-	40,907	-	-	1,804,461
-	-	-	-	-	285,861
<u>(948,226)</u>	<u>(7,500)</u>	<u>21,321</u>	<u>(219,076)</u>	<u>-</u>	<u>(1,946,913)</u>
6,329	10,750	37	2,848	-	35,582
(1,520,655)	(47,914)	106,497	607,753	(19,744)	(1,676,236)
1,900,230	1,889,746	928,398	2,622,441	102,904	22,582,077
<u>\$ 379,575</u>	<u>\$ 1,841,832</u>	<u>\$ 1,034,895</u>	<u>\$ 3,230,194</u>	<u>\$ 83,160</u>	<u>\$ 20,905,841</u>
\$ (304,585)	\$ 22,649	\$ (682,944)	\$ (842,619)	\$ (15,974)	\$ (5,421,078)
152,023	23,528	30,120	450,394	-	5,169,734
239,350	-	-	-	-	239,350
(405,023)	(4,356)	37,284	(4,297)	(2,650)	(552,835)
-	-	-	-	-	(426,448)
59	-	(3,574)	(1,260)	-	(9,722)
(84,386)	5,990	-	-	-	(734,408)
15,852	-	-	(2,764)	-	(14,801)
(196,320)	(99,202)	(8,561)	3,474	(1,152)	324,933
-	-	-	-	-	309,933
-	227	21,636	156,588	-	130,575
<u>\$ (583,030)</u>	<u>\$ (51,164)</u>	<u>\$ (606,039)</u>	<u>\$ (240,484)</u>	<u>\$ (19,776)</u>	<u>\$ (984,767)</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2013

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,917,133	\$ 6,732,537	\$ 1,505,107	\$ 11,154,777
Net increase in fair value of investment:	-	44,406,444	8,428,036	52,834,480
Accounts receivable	13,940	-	-	13,940
Gain (loss) on sale of investment:	616	-	-	616
Total assets	2,931,689	51,138,981	9,933,143	64,003,813
LIABILITIES				
Accounts payable	368,470	1,696	-	370,166
Held on the behalf of other:	2,563,219	-	-	2,563,219
Total liabilities	2,931,689	1,696	-	2,933,385
Change in net position				
Held in trust for retirement benefit:	-	51,137,285	9,933,143	61,070,428
Total net position	\$ -	\$ 51,137,285	\$ 9,933,143	\$ 61,070,428

The accompanying notes are an integral part of these financial statements.

WICOMICO COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 3,666,759	\$ 1,976,575	\$ 5,643,334
Investment earnings			
Net increase in fair value of investments	2,956,795	744,703	3,701,498
Interest and dividends	1,212,547	190,284	1,402,831
Gain (loss) on sale of investments	452,222	(126,942)	325,280
Total net investment earnings	4,621,564	808,045	5,429,609
Total additions	8,288,323	2,784,620	11,072,943
DEDUCTIONS			
Benefits	3,064,842	-	3,064,842
Administrative	162,378	19,797	182,175
Total deductions	3,227,220	19,797	3,247,017
Change in net position	5,061,103	2,764,823	7,825,926
Net position - beginning	46,076,182	7,168,320	53,244,502
Net position - ending	\$ 51,137,285	\$ 9,933,143	\$ 61,070,428

The accompanying notes are an integral part of these financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES

Wicomico County, Maryland (the County) is a political subdivision of the State of Maryland, established in 1867 and subsequently incorporated under Article 25 of the Annotated Code of the State of Maryland, and is governed by an elected executive and a seven-member elected County Council. The County government directly provides all basic local governmental services, except for water and sewer.

The financial statements of the County are presented as of June 30, 2013 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Financial Reporting Entity

For financial reporting purposes, based on the standards established by GASB Statement No. 14, *The Financial Reporting Entity*, the County includes the various departments, agencies, and other organizational units governed directly by the County Executive and County Council of Wicomico County, Maryland as the Primary Government. The component units are included in the reporting entity because the Primary Government approves budgetary requests, provides a significant amount of funding and guarantees repayment of debt issued by the various organizations.

Based on the aforementioned criteria, component units are reported in the County's basic financial statements as follows:

Blended component units reported within the Primary Government:

Enterprise Funds:

- Salisbury - Ocean City: Wicomico Regional Airport
- Wicomico Nursing Home
- Wicomico County Urban Services Commission

Discretely presented component units:

- The Board of Education of Wicomico County
- The Wicomico County Free Library

Copies of the financial statements for each discretely presented component unit can be obtained directly from the component units.

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenditures. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

The County Council is responsible for appointing the members of the boards of various other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. Several of these other organizations are funded by Federal or state governments.

Basic Financial Statements—Government-Wide Financial Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The following are classified as governmental activities: legislative, executive, judicial, elections, police and fire protection, detention center, health, education, parks, culture and recreation, grants, agricultural, and general administrative services. The County's Solid Waste, Airport, Nursing Home, Urban Services, Convention & Visitors Bureau, and Civic Center are classified as business-type activities. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions, business-type activities, and component units. The functions are also supported by general government revenues (property, income and other taxes, certain intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, culture and recreation, etc.) or a business-type activity. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The net costs (by function, business-type activity, or component unit) are normally covered by general revenue (property, income, or gas taxes), intergovernmental revenues, interest income, etc.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

Basic Financial Statements—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 comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

The following fund types are used by the County:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major 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.
- b. Grants Fund is a special revenue fund that receives monies from state and federal agencies to administer various programs, involving safety, health and welfare, and culture and recreation, within the County.
- c. Capital Projects Fund is 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/enterprise funds.
- d. Roads Fund is a special revenue fund that receives funding from the State Department of Transportation to be expended for the repair and improvement of county roads.
- e. Recreation Fund is used to account for activities at Recreation and Parks.

The County's non-major governmental fund is Agricultural Tax.

2. Enterprise Funds:

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

- a. Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, Federal, and county regulations and to provide for recycling.
- b. Airport Fund is used to account for the activities at the Salisbury-Ocean City: Wicomico Regional Airport.
- c. Nursing Home Fund is used to account for the activities at the Wicomico Nursing Home, a 102-bed nursing home providing comprehensive skilled nursing care and other related services in Salisbury, Maryland.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

2. Enterprise Funds (Continued):

- d. Convention & Visitors Bureau Fund is used to account for activities related to the enhancement of the economic impact of tourism in the County.
- e. Civic Center Fund is used to account for activities related to the Wicomico Youth and Civic Center.
- f. Urban Services Fund is used to supply water and sewer to homes outside of municipalities in the County. The Urban Services Commission's charter requires that the Urban Services Fund be reported separately on the fund financial statements.

The County's non-major enterprise funds include Economic Development Loan Proceeds (previously called Local Matching) and Electrical Board.

3. Fiduciary Funds:

The focus of fiduciary fund measurement is to account for resources held for the benefit of parties outside the government. The County uses agency funds for the following:

- a. Inmate Welfare Fund is used to account for assets held for and due to inmates of the Wicomico County Detention Center.
- b. Narcotics Task Force Escrow includes two funds. One is used to account for monies that are confiscated in drug related activities at the local level. At the local level, the funds are held until released by the court case verdict and used by the Task Force thereafter. The other fund is used to account for monies received in activities involving federal seizures.
- c. Volunteer Fire Fund is a capital sinking fund used to account for the annual appropriation from the General Fund to be used for the purchase of new capital equipment for the 14 volunteer fire companies in Wicomico County.
- d. Forest Conservation Fund is used to account for the activity related to developmental projects which, by county code, require funding for a forestation or reforestation by the developer at the completion of a project.
- e. Tax Ditches collects and holds the funds on behalf of the Tax Ditch Associations.
- f. Hazmat Billing is to be used to reimburse volunteer fire companies for costs of environmental cleanup due to chemical/fuel spills from vehicle accidents.
- g. Bail Bonds are to be held in a fiduciary capacity until adjudicated or for 10 years, whichever comes first.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

3. Fiduciary Funds (Continued):

The County's Pension Trust Fund is used to account for the activity related to the Employees' Retirement Plan of Wicomico County. The County's OPEB Trust Fund (Health Care Trust Fund) is used for the activity related to the Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County.

All of these funds are custodial in nature and do not involve measurement of results of operations. With the exception of the Pension Trust Fund and Health Care Trust Fund, the County presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. The above funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Discretely Presented Component Units

All of these entities are discretely presented in the government-wide statements. The Board of Education and the Library are considered major component units and have been presented in separate columns on the face of the government-wide statements.

- a. Board of Education of Wicomico County is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Wicomico County, Maryland.
- b. The Wicomico County Free Library is a non-profit public library that is governed by a Board of Trustees. Services provided include offering library materials of various types for use by the general public.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement expenditures, and claims and judgments, are recorded only when payment is due.

Taxpayer-assessed income, gross receipts, and sales taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Income taxes are reported as revenue if received by August 31st of each fiscal year. Under the modified accrual basis of accounting, revenues are recorded in governmental funds as soon as they are measurable and available to pay liabilities of the current period. For the year ended June 30, 2012, the State of Maryland sent a fiscal year 2013 income tax payment prior to August 31 in error. The County chose to treat this payment as fiscal year 2013 in order to be consistent with previous years.

In the State of Maryland, the State has assumed the responsibility for the collection of all income taxes and for distributing those collections to the respective counties. The counties set their individual tax rates within limits provided by State law; however, collections and pursuit of delinquent taxes are the responsibility of the State.

The State holds an unallocated income tax reserve related to late filers, delinquent returns and audits, and unallocated withholding. These revenues are not available to pay liabilities of the current period. Further, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years. The State annually adjusts the amount they are estimating for each County’s share in the reserve. As of June 30, 2013, the County’s share was \$5,535,032.

The amount related to late filers, delinquent returns and audits, and unallocated withholding is a rolling estimate – i.e., the County does not receive earmarked funds from the reserve, the State merely adjusts the County’s share at year end for the revenue it distributed during the prior year related to these revenue sources offset by the new estimates for the succeeding year. Therefore, the County does not accrue for this receivable because it is not the intention of the State to pay those funds to the County in fiscal year 2014, but to continue to withhold funds related to these annual ongoing delinquencies as it distributes the applicable actual and estimated income tax revenue during the fiscal year offset by changes to the estimated level of delinquencies.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

The County reports deferred revenue on its statement of net position and governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed, and revenue is recognized.

Amounts reported as program revenues in the government-wide Statement of Net Position include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Article VII, Section 705 of the County Charter requires each department or agency financed in whole or in part by County funds to prepare and submit an annual budget. Formal budgetary accounting is employed as a management control for the County's General Fund, Roads Fund, Solid Waste Landfill Fund, the Salisbury - Ocean City: Wicomico Regional Airport, the Convention and Visitors Bureau, the Civic Center, and the Electrical Board. The annual budget for the General Fund and the Roads Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Solid Waste Landfill and Salisbury - Ocean City: Wicomico Regional Airport Funds are adopted under a basis consistent with GAAP, except that neither considers depreciation. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2013.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

The County follows these procedures in establishing the General Fund budgetary data reflected in the financial statements:

- (1) On or before March 15, the Director of Finance submits to the County Executive a proposed budget that includes requested expenditures and anticipated revenues for the fiscal year commencing on July 1.
- (2) On or before April 15, the County Executive submits to the County Council a proposed budget that includes requested expenditures and anticipated revenues for the fiscal year commencing on July 1.
- (3) A public hearing is conducted on or before May 15 to obtain taxpayer comments.
- (4) No later than June 1 or such date as may be set by resolution, but not later than June 15, the budget shall be adopted by the Annual Budget and Appropriations Bill.
- (5) Transfers of appropriations between departments may be made during the last quarter of the fiscal year upon request of the County Executive and approval of the County Council.
- (6) All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County 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/expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Activity

Interfund activity consists of loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are maintained in the Civic Center, Convention & Visitors Bureau and Recreation departments for concessions and in the Roads and Solid Waste Departments for materials and supplies. The Board of Education of Wicomico County maintains materials, supplies, and food and related inventories. The Wicomico Nursing Home inventories consist of medical, linen, and dietary supplies. All inventories are stated at the lower of cost or market under the first-in, first-out method of inventory valuation.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15 – 20 years
Intangibles	15 – 20 years
Buildings and improvements	20 – 50 years
Runways and ramps	15 – 25 years
Vehicles	02 – 05 years
Infrastructure	15 – 35 years
Machinery, office furniture, and equipment	03 – 10 years

The Board of Education of Wicomico County, Wicomico County Nursing Home, and The Wicomico County Free Library have established their own thresholds.

Long-Term Obligations

In the government-wide financial statements and enterprise 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 enterprise fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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 financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The County accrues accumulated unpaid vacation, certain accrued sick leave, compensatory time, holidays worked, and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Taxes and County Services

The County and its separate funds do not pay Federal, state or local taxes, with the exception of social security taxes. Except for certain limited reimbursements of administrative expenses and employee benefits made from other funds, the General Fund is not reimbursed by the other funds for general staff services.

The State of Maryland currently allows Maryland citizens who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland Personal Income Tax for the income taxes paid to the other jurisdictions. Maryland has not allowed this credit against Maryland County or Municipal income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the case and while it is under appeal, the final outcome will likely result in the State allowing credits against county income taxes with a resulting reduction in annual income tax revenue. For Wicomico County, the estimated effect is a reduction of \$220,000 per year. This reduction was built into the fiscal year 2014 revenue estimate although the first reduction may not now take place until fiscal year 2015. In addition the tax law will allow a refund of overpayments for three prior tax years. The State Comptroller has estimated Wicomico County's liability for these refunds to be about \$750,000. The County will established a fund balance reserve in fiscal year 2013 to offset the effects of these payments on future year revenue streams.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and deemed collectible within the same period in which the taxes are levied. Subsidies and grants to enterprise funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2013 are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred revenue in the fund statements. An allowance is established for delinquent personal property taxes to the extent that their collectability is improbable. The tax is levied on the full real property assessable basis; however, effective for the year ended June 30, 2002 and subsequent, the taxpayers passed a revenue cap on the growth of real property tax revenues. Therefore, the Council cannot increase real property tax revenue over the previous year's revenue, excluding new construction, more than the lesser of 2% or the CPI-U.

On July 1, 2001, the County began billing and collecting property taxes for the City of Salisbury, MD. As of June 30, 2013, both local property taxes receivable and due to other governments included \$89,471 due on behalf of and to the City of Salisbury.

Cash Flows

For the purposes of the Statement of Cash Flows, the enterprise funds have defined cash equivalents as all highly liquid deposits and other investment instruments that have a maturity of three months or less.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Encumbrances

Primary government encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as restricted fund balances and do not constitute expenditures or liabilities because the commitments will be honored during a subsequent year.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet

In fiscal year 2010, Wicomico County implemented Governmental Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement requires fund balance classifications, as follows:

1. Nonspendable: Amounts that cannot be spent because they are either in a nonspendable form, or there are legal or contractual requirements.
2. Restricted: Amounts that are spendable but must be used as directed by an external party. This includes limitations imposed by creditors, grantors, or laws and regulations of other governments.
3. Committed: Amounts that can only be used as specified by the formal action of the government's highest level of decision-making authority. The County Council is the highest level of decision-making authority, and committed funds are established by resolution or legislation.
4. Assigned: Amounts the government intends to use for a specific purpose. Intent does not require formal action by the government's highest level of decision-making authority. The County Executive's Office is responsible for the use of assigned funds in accordance with the purpose for which they were set aside.
5. Unassigned: Residual fund balance in the general fund.

Under GASB 54, encumbrances are no longer reported separately in fund balance but are classified in the appropriate category as noted above. In Wicomico County, encumbrances are only used for legally binding contracts, and therefore are reported as a component of restricted funds.

The County has a policy for the spending order of the different types of fund balances. Nonspendable amounts by definition can't be spent, and restricted amounts are restricted by external parties and can only be spent in accordance with the restrictions; therefore, for purposes of the policy, they are excluded. All encumbrances are restricted because they are legal contracts.

Therefore, it is the policy of Wicomico County to spend committed, assigned, and unassigned funds in the following order:

First, assigned, all for the purposes for which they were assigned. Second, the appropriation of fund balance for subsequent year's expenditures, which is listed in the committed section. Last, unassigned fund balance, through action of County Council (appropriation of fund balance) and/or the committed Rainy Day fund balance, upon approval of County Council.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

General Fund

In the general fund, the following components of fund balance are reported in the following classifications:

1. Nonspendable: prepaid expenses.		
Prepaid expenses	\$	<u>119,619</u>
2. Restricted: the Rate Stabilization Reserve for health insurance, which is governed by a contract; all encumbrances in all governmental funds are also restricted.		
Encumbrances	\$	428,040
Early retiree reinsurance program		7,134
Health care rate stabilization		<u>1,208,105</u>
Total	\$	<u>1,643,279</u>
3. Committed: The Rainy Day fund, which is set by resolution, is included in this classification. Also included is any appropriation of fund balance for subsequent year's expenditures.		
Subsequent year's expenditures	\$	4,543,885
Commitments and emergencies		<u>6,383,866</u>
Total	\$	<u>10,927,751</u>
4. Assigned: All other reserves not noted above are assigned. This includes the following:		
Arbitrage	\$	108,951
Working capital, Detention Center vending		1,000
Death benefits		244,857
Self-insurance		936,989
GIS mapping		20,228
Boiler sinking		57,994
Drill academy		59,814
Wynne tax case		<u>750,000</u>
Total	\$	<u>2,179,833</u>
5. Unassigned: The residual fund balance in the general fund is the unassigned fund balance that has not been restricted, committed, or assigned.		
Unassigned	\$	<u>28,614,283</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

General Fund (Continued)

The governmental funds (other than the General Fund) are as follows:

1. Grants Fund – the purpose of this fund is to account for grants from external sources, primarily the State of Maryland and the Federal government.
2. Capital Projects Fund – this fund is used to account for capital outlays financed from general obligation bond proceeds and General Fund transfers.
3. Roads Fund – a special revenue fund financed in the past primarily from Highway User revenues (HUR). However, the State of Maryland stopped sharing HUR funds with the counties to help balance the State’s budgets in fiscal years 2009 through 2013. Legislation was introduced in the 2010 General Assembly session to begin to restore HUR funds to the Counties beginning in fiscal year 2012, but did not pass. There were subsequent legislative working and study groups to consider overall transportation funding policy; therefore, the Roads budget had not been reclassified into the General Fund. It is clear from the results of the 2013 Transportation Task Force that substantial restoration of HUR to the Counties is not a likely outcome. Barring a reversal of that policy direction during the 2014 General Assembly session, the Roads operation will be brought into the General Fund in fiscal year 2015.
4. Recreation Fund – this fund is used to account for activities at Recreation and Parks.
5. Agricultural Tax Fund – this fund is used to account for activities related to the County agricultural tax.

Government-Wide Net Position

Government-wide net position is divided into three major categories:

1. Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted – consists of net position that is restricted by the creditors, enabling legislation, grantors, or other contributors.
3. Unrestricted – all other net position are reported in this category.

Subsequent Events

Management has evaluated subsequent events through December 17, 2013 which is the date the financial statements were approved and authorized to be issued.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

During 2013, the County adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and American Institute of Certified Public Accountants (AICPA) Pronouncements*. There was no material effect on the financial statements due to this change.

In addition, the County adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Adoption of this statement changed the terms and classifications of items in the statement of financial position in the government-wide activities and enterprise funds.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Wicomico County

Deposits and Investments Other Than Pension and Health Care Trust Funds:

The County is authorized to invest monies for which it has custody or control. The types of investments are in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

The County's investment policy for its non-pension funds authorizes the investment of money in any of the following types of investments:

- a. U.S. Treasury Obligations
- b. Maryland Local Government Investment Pool
- c. Repurchase Agreements
- d. Collateralized Certificates of Deposit

The policy requires collateralization for certificates of deposit and repurchase agreements. Such collateral must be at least 102% of market value of principal and accrued interest. The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local governments be fully collateralized. The County's policy requires collateral to be held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral as specified under Section 6-202 of the same document.

With the exception of the deposits in the Maryland Local Government Investment Pool (MLGIP) and \$200,000 in certificates of deposit of the Nursing Home, Wicomico County does not have any investments.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (Continued)

At June 30, 2013, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$107,163,582 and the bank balance was \$107,761,873. All deposits are carried at cost plus accrued interest. Of the bank balance \$93,043,949 was deposited in the MLGIP. Deposits in the MLGIP comply with Article 95 of the Annotated Code of Maryland and are rated "AAAm" by Standard and Poor's. Financial statements and additional information for the Maryland Local Government Investment Pool can be obtained at the following website: <https://www.mlgip.com/mlgip.html>.

The remaining deposits of \$14,717,924 were exposed to custodial credit risk as follows:

FDIC coverage	\$ 1,445,490
Uninsured and collateral held by the pledging financial institution but not in the County's name	2,908,028
Uninsured and collateral held by the pledging institutions trust department but not in the County's name	<u>10,364,406</u>
	\$ <u><u>14,717,924</u></u>

Custodial Credit Risk

The collateralization requirements described in the preceding section are established to reduce custodial credit risk which is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of June 30, 2013, none of the County's bank balance was exposed to custodial credit risk. In the past, this amount was comprised of checks deposited with the Bank of America that appear on the ledger balance in the County's account but are not yet collected. At the close of each business day, the Bank of America, through the Bank of New York Mellon, provides collateralization of all collected funds. Uncollected funds are insured by the FDIC up to \$250,000. Any uncollected amount above that level is uninsured and subject to custodial credit risk. This is a systemic risk to which the County would be exposed while using a similar checking account at any other banking institution.

Credit Risk

All the investments are either in fully insured certificates of deposit or in the MLGIP which has a Standard and Poor's rating of "AAAm", the highest rating available.

Concentration of Credit Risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 87% of total cash as of June 30, 2013.

Interest Rate Risk

The County's primary concern related to cash and investments is security and liquidity and, therefore, the County has no long-term investments and has 87% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2013, the actual yield of the MLGIP is estimated to be 0.12%. The fair value of the pool is the same as the value of the pool shares.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fiduciary Funds

The County follows the investment policy as outlined previously for all of its cash held on behalf of agency funds. As of June 30, 2013, the carrying amount of the County's cash deposits held on behalf of agency funds was \$2,949,335 and the bank balance was \$2,950,633. Of the bank balance, \$388,193 was deposited in MLGIP. The remaining bank balance was secured by acceptable collateral, therefore, not exposed to custodial credit risk.

Wicomico County - Pension and Health Care Trust Fund Investments

The Investment policy of the County's Retirement Plan Trust requires that the pension funds be managed as a balanced account with approximately a 60% equity, 40% government and corporate bond mix. Cash or cash equivalents are to be less than 3% on a long-term basis. The policy also has certain restrictions on types and amounts of investments that may be included in the portfolio, e.g. foreign securities, real estate, industry groups, loans, controlling interests.

The County's Pension and Health Care Trust Funds investments are held by State Street and Aetna Insurance Company in the County's name.

Pension and Health Care Trust Funds are invested as follows:

	Pension Trust Fund		Health Care Trust Fund GASB 45
	State Street	Aetna	State Street
Cash and equivalents	\$ 6,252,673	\$ 479,864	\$ 1,505,107
Government bonds	4,030,781	-	898,543
Fixed income	385,776	1,622,794	42,277
Corporate bonds	9,987,971	-	1,646,288
Equities	24,329,564	-	5,009,136
Foreign assets	4,049,558	-	831,792
Total	<u>\$ 49,036,323</u>	<u>\$ 2,102,658</u>	<u>\$ 9,933,143</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County - Pension and Health Care Trust Fund Investments (Continued)

State Street:

Corporate bond issues for pension and health plans at rounded market value held at June 30, 2013 are as follows:

<u>Pension</u>	<u>OPEB</u>	<u>Market Value</u>	<u>Company</u>	<u>Coupon</u>	<u>Due</u>
\$ 441,291	\$ 73,228	\$ 514,519	Anheuser-Busch InBev	4.13%	01/15/15
\$ 261,292	\$ 41,833	\$ 303,125	BP Cap Markets PLC	3.13%	10/01/15
\$ 232,952	\$ 37,638	\$ 270,590	Baker Hughes Inc.	7.50%	11/15/18
\$ 203,437	\$ 35,719	\$ 239,156	Becton Dickinson	1.75%	11/08/16
\$ 234,012	\$ 35,296	\$ 269,308	Berkshire Hathaway	1.60%	05/15/17
\$ 242,836	\$	\$ 242,836	Berkshire Hathaway	4.63%	10/15/13
\$ 80,449	\$	\$ 80,449	Berkshire Hathaway	5.00%	08/15/13
\$ 83,211	\$	\$ 83,211	Berkshire Hathaway	3.20%	02/11/15
\$ 347,640	\$ 66,697	\$ 414,337	BHP Billiton Ltd.	5.50%	04/01/14
\$ 226,468	\$ 55,722	\$ 282,190	Caterpillar Inc.	7.00%	12/15/13
\$ 139,582	\$ 16,673	\$ 156,255	Cisco Systems Inc.	5.50%	02/22/16
\$ 295,833	\$ 45,875	\$ 341,708	Coca-Cola Co.	1.50%	11/15/15
\$ 305,128	\$ 47,201	\$ 352,329	Colgate-Palm Co	3.15%	08/05/15
\$ 66,577	\$	\$ 66,577	ConocoPhillips Corp.	4.75%	02/01/14
\$ 142,880	\$ 17,114	\$ 159,994	ConocoPhillips Corp.	5.20%	05/15/18
\$ 457,226	\$ 78,656	\$ 535,882	Costco Wholesale	1.13%	12/15/17
\$ 455,180	\$ 92,103	\$ 547,283	Deere Capital Corp	2.00%	01/13/17
\$ 53,645	\$	\$ 53,645	Deere & Co.	8.50%	01/09/22
\$ 292,624	\$ 45,619	\$ 338,243	The Walt Disney Co	1.35%	08/16/16
\$ 178,413	\$ 23,652	\$ 202,065	DuPont El De Nemours	6.00%	07/15/18

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County - Pension and Health Care Trust Fund Investments (Continued)

State Street (Continued):

<u>Pension</u>	<u>OPEB</u>	<u>Market Value</u>	<u>Company</u>	<u>Coupon</u>	<u>Due</u>
\$ 32,887	\$ 6,089	\$ 38,976	DuPont El De Nemours	5.88%	01/15/14
\$ 418,914	\$ 68,289	\$ 487,203	General Electric Co.	5.25%	12/06/17
\$	\$ 61,271	\$ 61,271	GlaxoSmithKline PLC	4.38%	04/15/14
\$ 267,496	\$ 46,668	\$ 314,164	GTE Corp	6.84%	04/15/18
\$ 82,709	\$ 20,434	\$ 103,143	Hewlett Packard Co.	6.13%	03/01/14
\$ 205,117	\$ 35,974	\$ 241,091	Intel Corp	1.95%	10/01/16
\$ 288,771	\$ 46,316	\$ 335,087	IBM Corp	5.70%	09/14/17
\$ 295,229	\$ 41,095	\$ 336,324	JP Morgan Chase & Co.	4.65%	06/01/14
\$ 94,774	\$ 33,449	\$ 128,223	JP Morgan Chase Bank	5.88%	06/13/16
\$ 254,919	\$	\$ 254,919	Medtronic Inc.	4.75%	09/15/15
\$ 229,120	\$ 28,361	\$ 257,481	Nucor Corp.	5.75%	12/01/17
\$ 469,625	\$ 80,734	\$ 550,359	Occidental Petroleum	1.75%	02/15/17
\$ 208,648	\$ 31,144	\$ 239,792	PNC Funding Corp	3.63%	02/08/15
\$ 601,987	\$ 127,298	\$ 729,285	PepsiCo Inc.	7.90%	11/01/18
\$ 527,632	\$ 128,190	\$ 655,822	Pfizer Inc.	5.35%	03/15/15
\$ 38,948	\$	\$ 38,948	Pharmacia Corp debs	8.70%	10/15/21
\$ 392,258	\$ 46,813	\$ 439,071	Pitney Bowes Inc.	4.75%	05/15/18
\$ 200,185	\$	\$ 200,185	Prudential Financial Inc.	4.50%	07/15/13
\$ 152,957	\$	\$ 152,957	Schering-Plough Corp.	5.30%	12/01/13
\$ 358,733	\$ 81,364	\$ 440,097	Shell Int'l Finance BV	4.00%	03/21/14
\$ 65,363	\$	\$ 65,363	Tele-Commun Inc.	7.88%	08/01/13
\$ 259,163	\$ 41,594	\$ 300,757	Texas Instrument Inc.	2.38%	05/16/16
\$ 143,854	\$ 17,218	\$ 161,072	United Parcel Service	5.50%	01/15/18
\$ 154,847	\$ 17,232	\$ 172,079	United Technologies Corp.	5.38%	12/15/17
\$ 209,540	\$ 35,360	\$ 244,900	Washington Post Co.	7.25%	02/01/19

Aetna:

Aetna investments consist of \$60 million in liquid assets and part of a \$1.5 billion pool backed by the full financial strength of Aetna Life Insurance Company's general account.

Corporate bonds are 84% of the portfolio. Within the pool, the five largest corporate bond holdings and their S&P/Moody's ratings at June 30, 2013 are as follows:

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Aetna (Continued):

		<u>S&P Rating</u>
Goldman Sachs Group Inc.	\$ 21,000,000	BBB+/Baa1
Rio Tinto Limited	\$ 19,000,000	A-/A3
Anheuser-Busch	\$ 17,000,000	A/A3
Province of Quebec	\$ 16,000,000	A+/Aa2
Republic of Italy	\$ 15,000,000	NR/Baa2

Board of Education of Wicomico County

Deposits and Investments Other Than Pension Funds:

The Board is authorized to invest monies for which it has custody or control. The types of investments are in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

The Board's investment policy for its non-pension funds authorizes its comptroller to invest money in any of the following types of investments:

- a. U.S. Treasury Obligations
- b. Local Government Investment Pool
- c. Repurchase Agreements
- d. Collateralized Certificates of Deposit

The policy requires that the investments be on a short-term (less than one year) basis to reduce interest rate risk and establishes maximum portfolio percentages for investments as follows:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Local Government Investment Pool	100%
Repurchase Agreements (Master Repurchase Agreements Required)	30%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	10%

The policy requires collateralization for certificates of deposit and repurchase agreements. Such collateral must be at least 102% of market value of principal and accrued interest. The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be fully collateralized. The Board's policy requires collateral to be held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral as specified under Section 6-202 of the same document.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

At June 30, 2013, the Board's non-pension funds were invested as follows:

	CARRYING VALUE	BANK BALANCE
Cash	\$ 223,103	\$ (1,240,686)
Investments – cash equivalents	29,988,659	33,238,659
Total	\$ 30,211,762	\$ 31,997,973

At June 30, 2013, the Board's bank balance was in a \$1,240,686 deficit position (pending a June 28, 2013 deposit in transit of \$3,250,000) with a carrying value of \$223,103. The June 30, 2013 deficit balance required no insurance or collateralization. The Board is party to a security and custodial agreement with its bank wherein deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by pledged securities held in the Board's name at the Bank of New York Mellon.

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created with the passage of Article 94 Section 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated "AAAm" by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Investments in MLGIP totaled \$29,988,659 at June 30, 2013 with \$5,045,300 committed/assigned for health insurance rate stabilization.

Pension and Other Trust Fund Investments:

The Investment policy of the Board's Retirement Plan Trust requires that the pension funds be managed as a balanced account with approximately a 60% equity, 40% government and corporate bond mix. Cash or cash equivalents are to be less than 3% on a long-term basis. The policy also has certain restrictions on types and amounts of investments that may be included in the portfolio, e.g. foreign securities, real estate, industry groups, loans, controlling interests.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

The Board's pension investments are held by State Street, Aetna Insurance Company and Janus in the Board's name. The Board's Retiree Health Plan Trust investments are held at State Street in the Board's name.

Pension and Other Trust Funds are invested as follows:

	<u>Pension Trust</u>		<u>401(a)</u>	<u>GASB 45</u>	Total
	State Street	AETNA	Janus	State Street	
Cash and equivalents	\$ 2,417,453	\$ 77,187	\$ 135,277	\$ 2,150,055	\$ 4,779,972
Government bonds	1,041,223	115,780	335,950	1,021,095	2,514,048
Commercial paper (less than 1 year)	-	155,503	-	-	155,503
Mortgage loans	-	212,263	344,455	-	556,718
Corporate bonds	3,857,917	1,524,438	671,191	2,110,852	8,164,398
Common stock	9,759,160	-	1,781,323	6,456,555	17,997,038
Other	-	-	131,924	-	131,924
Total	<u>\$ 17,075,753</u>	<u>\$ 2,085,171</u>	<u>\$ 3,400,120</u>	<u>\$ 11,738,557</u>	<u>\$ 34,299,601</u>

Corporate bonds held at June 30, 2013 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	<u>Pension Trust</u>		<u>401(a)</u>	<u>GASB 45</u>
	State Street	AETNA	Janus	State Street
AAA			23.94%	
AA+	3.69%			3.80%
AA	14.92%		21.88%	16.45%
AA-	8.79%			9.31%
A+	17.69%	18.18%		17.22%
A	35.57%	19.32%	8.95%	39.82%
A-	13.22%	21.59%		9.79%
BBB+	0.95%	23.86%		0.75%
BBB	5.17%		27.99%	2.86%
BB			11.73%	
B			1.31%	
Not Rated		17.05%	4.20%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

PENSION TRUST:

State Street:

Corporate bond issues held at June 30, 2013 are as follows:

Par Value	Description	Coupon Rate	Due
\$ 150,000	Anheuser-Busch	4.13%	01/15/15
\$ 70,000	Baker Hughes Inc.	7.50%	11/15/18
\$ 70,000	Becton Dickinson	1.75%	11/08/16
\$ 50,000	Berkshire Hathaway	3.20%	02/11/15
\$ 80,000	Berkshire Hathaway	1.60%	05/15/17
\$ 20,000	Berkshire Hathaway	5.00%	08/15/13
\$ 75,000	Berkshire Hathaway	4.63%	10/15/13
\$ 135,000	BHB Billiton Ltd.	5.50%	04/01/14
\$ 85,000	BP Capital Markets	3.13%	10/01/15
\$ 75,000	Caterpillar Inc.	7.00%	12/15/13
\$ 45,000	Cisco Systems Inc.	5.50%	02/22/16
\$ 95,000	Coca-Cola Co.	1.50%	11/15/15
\$ 95,000	Colgate-Palmolive Inc.	3.15%	08/05/15
\$ 23,000	ConocoPhillips Corp.	4.75%	02/01/14
\$ 45,000	ConocoPhillips Corp.	5.20%	05/15/18
\$ 170,000	Costco Wholesale Corp.	1.13%	12/15/17
\$ 25,000	Deere & Co.	8.50%	01/09/22
\$ 160,000	Deere Capital Corp.	2.00%	01/13/17
\$ 11,000	Dupont EI De Nemours	5.88%	01/15/14
\$ 45,000	Dupont EI De Nemours	6.00%	07/15/18
\$ 125,000	General Electric Co.	5.25%	12/06/17
\$ 125,000	GTE Corp.	6.84%	04/15/18
\$ 35,000	Hewlett Packard Co.	6.13%	03/01/14
\$ 70,000	Intel Corp.	1.95%	10/01/16
\$ 120,000	IBM Corp.	5.70%	09/14/17
\$ 70,000	JP Morgan Chase & Co.	4.65%	06/01/14
\$ 100,000	Medtronic Inc.	4.75%	09/15/15
\$ 60,000	Nucor Corp.	5.75%	12/01/17
\$ 170,000	Occidental Petroleum	1.75%	02/15/17
\$ 150,000	PepsiCo Inc.	7.90%	11/01/18
\$ 130,000	Pfizer Inc.	5.35%	03/15/15
\$ 30,000	Pharmacia Corp.	8.70%	10/15/21
\$ 135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$ 70,000	PNC Funding Corp.	3.63%	02/08/15
\$ 77,000	Prudential Financial Inc.	4.50%	07/15/13
\$ 80,000	Schering Plough Corp.	5.30%	12/01/13
\$ 80,000	Shell Int'l Finance	4.00%	03/21/14

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Board of Education of Wicomico County (Continued)

State Street (Continued):

Par Value	Description	Coupon Rate	Due
\$ 91,000	Tele-Communications, Inc.	7.88%	08/01/13
\$ 85,000	Texas Instruments Inc.	2.38%	05/16/16
\$ 95,000	The Walt Disney Company	1.35%	08/16/16
\$ 45,000	United Parcel Service	5.50%	01/15/18
\$ 50,000	United Technologies Corp.	5.38%	12/15/17
\$ 50,000	Washington Post Co.	7.25%	02/01/19

AETNA:

Corporate bond issues held at June 30, 2013 are as follows:

	<u>Percent of Holdings</u>
Goldman Sachs Group Inc.	23.86%
Rio Tinto Limited	21.59%
Anheuser-Busch	19.32%
Province of Quebec	18.18%
Republic of Italy	17.05%

401(a):

Janus:

Corporate bond issues held at June 30, 2013 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 4.30 years	

GASB 45:

State Street:

Corporate bond issues held at June 30, 2013 are as follows:

Par Value	Description	Coupon Rate	Due
\$ 100,000	Anheuser-Busch	4.13%	01/15/15
\$ 20,000	Baker Hughes Inc.	7.50%	11/15/18
\$ 45,000	Becton Dickinson	1.75%	11/08/16
\$ 40,000	Berkshire Hathaway	3.20%	02/11/15
\$ 55,000	Berkshire Hathaway	1.60%	05/15/17
\$ 20,000	Berkshire Hathaway, Inc.	4.63%	10/15/13
\$ 30,000	Berkshire Hathaway, Inc.	5.00%	08/15/13
\$ 50,000	BHP Billiton Ltd.	5.50%	04/01/14
\$ 60,000	BP Capital Markets	3.13%	10/01/15
\$ 40,000	Caterpillar Inc.	7.00%	12/15/13
\$ 15,000	Cisco Systems Inc.	5.50%	02/22/16
\$ 60,000	Coca-Cola Co.	1.50%	11/15/15
\$ 60,000	Colgate-Palmolive	3.15%	08/05/15
\$ 15,000	Conoco Phillips Corp.	5.20%	05/15/18
\$ 110,000	Costco Wholesale Corp.	1.13%	12/15/17

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

State Street (GASB 45) (Continued):

	Par Value	Description	Coupon Rate	Due
\$	125,000	Deere Capital Corp.	2.00%	01/13/17
\$	15,000	Dupont EI De Nemours	6.00%	07/15/18
\$	4,000	Dupont EI De Nemours	5.88%	01/15/14
\$	70,000	General Electric Co.	5.25%	12/06/17
\$	55,000	GlaxoSmithKline PLC	4.38%	04/15/14
\$	50,000	GTE Corp.	6.84%	04/15/18
\$	15,000	Hewlett Packard Co.	6.13%	03/01/14
\$	60,000	IBM Corp.	5.70%	09/14/17
\$	45,000	Intel Corp.	1.95%	10/01/16
\$	60,000	JP Morgan Chase & Co.	4.65%	06/01/14
\$	85,000	JP Morgan Chase Bank NA	5.75%	06/13/16
\$	20,000	Nucor Corp.	5.75%	12/01/17
\$	110,000	Occidental Petroleum	1.75%	02/15/17
\$	80,000	PepsiCo Inc.	7.90%	11/01/18
\$	110,000	Pfizer Inc.	5.35%	03/15/15
\$	35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	40,000	PNC Funding Corp.	3.63%	02/08/15
\$	15,000	Prudential Financial Inc.	4.50%	07/15/13
\$	75,000	Shell Int'l Finance	4.00%	03/21/14
\$	60,000	Texas Instruments Inc.	2.38%	05/16/16
\$	60,000	The Walt Disney Company	1.35%	08/16/16
\$	15,000	United Parcel Service	5.50%	01/15/18
\$	15,000	United Technologies Corp.	5.38%	12/15/17
\$	20,000	Washington Post Co.	7.25%	02/01/19

The Wicomico County Free Library

The Library follows Article 95, Section 22 of the Annotated Code of Maryland, which requires that deposits with financial institutions by local boards of education and public libraries be fully collateralized. Full collateralization is necessary to minimize the risk of loss of a deposit in the event of the default of a financial institution. In addition, this section of the law requires that collateral be of the types specified in the State Finance and Procurement Article, Section 6-202 of the Code.

Cash that is not fully insured by the FDIC is collateralized with a surety bond program approved by Maryland's General Assembly. The Library's financial institution uses Excel Capital for its surety bond collateral program. Under this program, a surety bond has been issued providing continual maximum coverage of \$500,000, in case of default or failure of the Library's financial institution.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

Maryland Local Governments Investment Pool

The Library is a participant in the Maryland Local Government Investment Pool (MLGIP). The MLGIP is duly chartered, administered and subject to regulatory oversight by the State of Maryland. Permissible investments are established by Section 6-222 of the State Finance and Procurement Article. The MLGIP is rated "AAAm" by Standard and Poors (their highest rating). The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore based financial institution, Mercantile Safe Deposit and Trust Company. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the Pool. The total investment has been recorded at a carrying value of \$400,231, which also approximates the fair market value at June 30, 2013. MLGIP and the Library's exposure to credit, market, or legal risk is not available.

Wicomico Public Library Endowment Fund

In April 2011, the Library established an endowment fund held by the Community Foundation of the Eastern Shore (CFES) with an initial investment of \$10,000 from the Gifts and Memorials fund. These funds are to be held by the CFES and invested per the terms of the endowment agreement. Under the terms of the agreement, the principal of the fund shall remain intact. Income of the fund will be distributed to the library periodically to be used for educational programs and services.

The market value of the investment as of June 30, 2013 was \$11,037 and is included in cash and investments in the Gifts and Memorials Fund. \$772 of the \$11,037 is available to be drawn down by the Library.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also deferred revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year deferred revenue for delinquent property taxes receivable reported in the general fund was \$297,683.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2013 are as follows:

	Governmental Activities				Total
	General Fund	Grants Fund	Roads	Other	
Receivables					
Taxes receivable	\$ 1,543,051	\$ -	\$ -	\$ -	\$ 1,543,051
Notes receivable	199,904	-	-	-	199,904
Due from other governmental agencies	5,114,274	756,040	-	-	5,870,314
Other receivables	705,575	-	261,884	713	968,172
Gross receivables	<u>7,562,804</u>	<u>756,040</u>	<u>261,884</u>	<u>713</u>	<u>8,581,441</u>
Less allowance for uncollectibles	1,035,897	-	-	-	1,035,897
Net total receivables	<u><u>\$ 6,526,907</u></u>	<u><u>\$ 756,040</u></u>	<u><u>\$ 261,884</u></u>	<u><u>\$ 713</u></u>	<u><u>\$ 7,545,544</u></u>

	Business-Type Activities				Total
	Solid Waste	Airport	Nursing Home	Other	
Receivables					
Accounts receivable	\$ 766,552	\$ 302,066	\$ 980,679	\$ 401,717	\$ 2,451,014
Notes receivable	-	426,448	-	-	426,448
Due from other governmental agencies	-	821,985	451,330	-	1,273,315
Other receivables	713	-	-	232	945
Gross receivables	<u>767,265</u>	<u>1,550,499</u>	<u>1,432,009</u>	<u>401,949</u>	<u>4,151,722</u>
Less allowance for uncollectibles	6,251	-	-	-	6,251
Net total receivables	<u><u>\$ 761,014</u></u>	<u><u>\$ 1,550,499</u></u>	<u><u>\$ 1,432,009</u></u>	<u><u>\$ 401,949</u></u>	<u><u>\$ 4,145,471</u></u>

Receivables for The Board of Education of Wicomico County and The Wicomico County Free Library as of June 30, 2013 are \$7,097,326 and \$9,970, respectively.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Balance June 30, 2012 As Restated	Additions	Deletions	Transfers	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 6,485,554	\$ 14,100	\$ -	\$ -	\$ 6,499,654
Intangibles	6,712,113	926,132	-	5,438	7,643,683
Construction in progress	3,930,633	1,296,249	-	(310,741)	4,916,141
Total capital assets not being depreciated	<u>17,128,300</u>	<u>2,236,481</u>	<u>-</u>	<u>(305,303)</u>	<u>19,059,478</u>
Capital assets being depreciated					
Infrastructure	167,837,853	77,013	-	100,548	168,015,414
Land improvements	1,083,164	-	-	-	1,083,164
Buildings and improvements	35,980,185	137,828	-	83,364	36,201,377
Machinery, office furniture and equipment	7,003,262	258,458	(9,387)	(10,865)	7,241,468
Intangibles	1,829,868	28,835	-	42,438	1,901,141
Vehicles	11,139,099	930,162	(659,664)	(82,129)	11,327,468
Total capital assets being depreciated	<u>224,873,431</u>	<u>1,432,296</u>	<u>(669,051)</u>	<u>133,356</u>	<u>225,770,032</u>
Total capital assets	<u>\$ 242,001,731</u>	<u>\$ 3,668,777</u>	<u>\$ (669,051)</u>	<u>\$ (171,947)</u>	<u>\$ 244,829,510</u>
Accumulated depreciation					
Infrastructure	\$ (125,198,283)	\$ (3,006,747)	\$ -	\$ -	\$ (128,205,030)
Land improvements	(621,609)	(45,152)	-	-	(666,761)
Buildings and improvements	(24,261,687)	(1,081,481)	-	-	(25,343,168)
Machinery, office furniture and equipment	(5,723,493)	(433,215)	9,387	50,089	(6,097,232)
Intangibles	(1,554,765)	(180,493)	-	-	(1,735,258)
Vehicles	(10,583,153)	(381,233)	631,593	94,939	(10,237,854)
Total accumulated depreciation	<u>(167,942,990)</u>	<u>(5,128,321)</u>	<u>640,980</u>	<u>145,028</u>	<u>(172,285,303)</u>
Governmental activities capital assets, net	<u>\$ 74,058,741</u>	<u>\$ (1,459,544)</u>	<u>\$ (28,071)</u>	<u>\$ (26,919)</u>	<u>\$ 72,544,207</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government (Continued):

	Balance June 30, 2012 As Restated	Additions	Deletions	Transfers	Balance June 30, 2013
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 8,008,414	\$ 145,754	\$ -	\$ -	\$ 8,154,168
Intangibles	27,500	-	-	-	27,500
Construction in progress	11,507,857	2,595,357	(25,857)	(8,388,367)	5,688,990
Total capital assets not being depreciated	<u>19,543,771</u>	<u>2,741,111</u>	<u>(25,857)</u>	<u>(8,388,367)</u>	<u>13,870,658</u>
Capital assets being depreciated					
Land improvements	3,773,745	-	-	-	3,773,745
Land disposal sites - liner costs	18,480,245	-	-	-	18,480,245
Runways and ramps	46,534,932	-	-	6,973,263	53,508,195
Buildings and improvements	30,460,437	180,129	-	1,415,104	32,055,670
Machinery, office furniture and equipment	5,171,927	123,492	(86,127)	-	5,209,292
Intangibles	113,807	-	-	-	113,807
Vehicles	8,343,901	26,498	(438,671)	145,028	8,076,756
Total capital assets being depreciated	<u>112,878,994</u>	<u>330,119</u>	<u>(524,798)</u>	<u>8,533,395</u>	<u>121,217,710</u>
Total capital assets	<u>\$ 132,422,765</u>	<u>\$ 3,071,230</u>	<u>\$ (550,655)</u>	<u>\$ 145,028</u>	<u>\$ 135,088,368</u>
Accumulated depreciation					
Land improvements	\$ (2,145,360)	\$ (86,235)	\$ -	\$ -	\$ (2,231,595)
Land disposal sites - liner costs	(11,187,096)	(695,312)	-	-	(11,882,408)
Runways and ramps	(25,450,306)	(2,892,961)	-	-	(28,343,267)
Buildings and improvements	(18,021,623)	(661,345)	-	-	(18,682,968)
Machinery, office furniture and equipment	(3,807,864)	(204,584)	86,127	-	(3,926,321)
Intangibles	(63,649)	(22,660)	-	-	(86,309)
Vehicles	(5,996,547)	(602,113)	438,667	(145,028)	(6,305,021)
Total accumulated depreciation	<u>(66,672,445)</u>	<u>(5,165,210)</u>	<u>524,794</u>	<u>(145,028)</u>	<u>(71,457,889)</u>
Business-type activities capital assets, net	<u>\$ 65,750,320</u>	<u>\$ (2,093,980)</u>	<u>\$ (25,861)</u>	<u>\$ -</u>	<u>\$ 63,630,479</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 493,721
Public Safety	1,164,821
Public Works	3,116,195
Health & Welfare	25,145
Culture & Recreation	328,439
Total depreciation expense – governmental activities	<u>\$ 5,128,321</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 552,543
Solid Waste – land disposal sites	695,312
Salisbury – Ocean City: Wicomico Regional Airport	3,265,814
Nursing Home	147,499
Urban Services	23,528
Convention & Visitors Bureau	30,120
Civic Center	450,394
Total depreciation expense – business-type activities	<u>\$ 5,165,210</u>

During fiscal year 2012, the infrastructure of Wicomico County was reduced by approximately \$6.2 million dollars. After removal of accumulated depreciation of \$5.3 million dollars, this resulted in a net reduction of \$945,000. This reduction is reflected in the Government Wide Financial Statements and is primarily due to the fact that roads were turned back over to the towns because maintenance of the road system ended by Wicomico County on June 30, 2011. Since the County had performed maintenance on these roads in the past and there was no clear title, then they were considered County assets. The return of the roads inventory to the towns was reported as an intergovernmental donation in fiscal year 2012.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	3,755,596	7,970,047	-	(3,766,326)	7,959,317
Total capital assets not being depreciated	7,835,336	7,970,047	-	(3,766,326)	12,039,057
Capital assets being depreciated					
Buildings and improvements	258,819,058	98,122		3,766,326	262,683,506
Furniture and equipment	29,153,513	3,902,538	(167,983)	-	32,888,068
Vehicles	1,436,609	120,502	(94,424)	-	1,462,687
Total capital assets being depreciated	289,409,180	4,121,162	(262,407)	3,766,326	297,034,261
Total capital assets	\$ 297,244,516	\$ 12,091,209	\$ (262,407)	\$ -	\$ 309,073,318
Less accumulated depreciation					
Buildings and improvements	(65,253,816)	(5,952,087)	-	-	(71,205,903)
Furniture and equipment	(19,582,936)	(2,858,709)	162,034	-	(22,279,611)
Vehicles	(1,099,181)	(117,645)	94,424	-	(1,122,402)
Total accumulated depreciation	(85,935,933)	(8,928,441)	256,458	-	(94,607,916)
Governmental activities capital assets, net	\$ 211,308,583	\$ 3,162,768	\$ (5,949)	\$ -	\$ 214,465,402
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 2,018,308	\$ 14,271	\$ (8,721)	\$ -	\$ 2,023,858
Accumulated depreciation	(1,606,863)	(70,654)	8,721	-	(1,668,796)
Business-type activities capital assets, net	\$ 411,445	\$ (56,383)	\$ -	\$ -	\$ 355,062

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (Continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$	153,351
Instructional Services		8,080,133
Special Education		48,359
Student Personnel Services		1,154
Health Services		6,291
Student transportation		33,006
Operation of plant and equipment		571,369
Maintenance of plant		31,802
Community Services		2,976
Total governmental depreciation expense		8,928,441

Depreciation expense was charged to business-type functions as follows:

Food service		70,654
Total business-type depreciation expense		70,654
Total depreciation expense	\$	8,999,095

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

CAPITAL ASSETS (Continued)

Wicomico County Free Library:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets not being depreciated				
Land	\$ 80,820	\$ -	\$ -	\$ 80,820
Capital assets being depreciated				
Buildings and improvements	2,434,600	108,608	-	2,543,208
Machinery, office furniture and equipment	1,379,022	30,104	(23,510)	1,385,616
Vehicles – bookmobile	178,634	-	-	178,634
Library collections	1,638,511	187,746	(249,774)	1,576,483
Total capital assets being depreciated	5,630,767	326,458	(273,284)	5,683,941
Total capital assets	5,711,587	326,458	(273,284)	5,764,761
Accumulated depreciation and amortization	(4,022,956)	(342,366)	273,284	(4,092,038)
Governmental activities capital assets, net	\$ 1,688,631	\$ (15,908)	\$ -	\$ 1,672,723

Depreciation and amortization expense of \$342,366 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

INTERFUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

During the year ended June 30, 1981, the general fund advanced \$75,000 to the Urban Services Fund. The loan requires annual payments of interest at 10%.

During the year ended June 30, 2005, the Convention & Visitors Bureau fund advanced \$214,965 to the Civic Center. The loan requires annual payments of principal and interest of \$19,334. Interest is at 4%. The loan matures June 30, 2020. The balance of the advance as of June 30, 2013 is \$124,423.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government		
General	Civic Center	\$ 468,180
	Nursing Home	83,578
		\$ 551,758

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	\$ 359,365

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

INTERFUND TRANSACTIONS

A summary of interfund transfers follows:

	General Fund	Grants	Capital Projects	Roads	Recreation	Solid Waste	Convention & Visitors Bureau	Civic Center	Total
General Fund	\$	\$ 108,910	\$ 1,638,776	\$ 4,557,267	\$ (332,904)	\$	\$ (84,800)	\$ 529,119	\$ 6,416,368
Grants	(108,910)			(47,376)					(156,286)
Capital Projects	(1,638,776)			(774,000)	(90,000)	(551,252)			(3,054,028)
Roads	(4,557,267)	47,376	774,000						(3,735,891)
Recreation	332,904		90,000				(37,963)	22,700	407,641
Solid Waste			551,252						551,252
Convention & Visitors Bureau	84,800				37,963			24,000	146,763
Civic Center	(529,119)				(22,700)		(24,000)		(575,819)
Total	\$ (6,416,368)	\$ 156,286	\$ 3,054,028	\$ 3,735,891	\$ (407,641)	\$ (551,252)	\$ (146,763)	\$ 575,819	\$ -

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

INTERFUND TRANSACTIONS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

General obligation bonds have been issued for both general government and enterprise activities. These bonds are reported in the enterprise funds if they are expected to be paid from enterprise fund revenues. The original amount of general obligation bonds issued in prior years and outstanding as of June 30, 2013 was \$149,991,179.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15 – 20 year serial bonds with different amounts of principal maturing each year.

The County's debt is limited to 3.2% of total assessed value of real property plus 8% of total assessed value of personal property located within the County. The debt margin permitted at June 30, 2013 amounted to \$144,214,964 after considering various debt obligations of \$95,682,192 as listed in the following schedule.

As shown on the combined statement of net position, total debt of the primary government including all blended component units is \$100,359,578. However, based on information from the County, and as reported in the audited financial statements of the Wicomico Nursing Home, there was no recourse to the County on the mortgage payable of that facility. The amount of that indebtedness, or \$753,746, was paid off this fiscal year.

On October 17, 2012 the County issued \$28.3 million in General Obligation Bonds with an average interest rate of 2.8 percent to advance refund \$16.5 million of outstanding public improvement bonds of 2002 A, 2003 B, 2003 2nd, 2004 1st, 2004 2nd, 2005 1st, 2005 2nd, and 2006 with an average interest rate of 3.8 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds. As a result, the bonds are considered to be partially defeased and the liability for those bonds has been removed from the government-wide statement of net position, except for the balances that remain on public improvement bonds of 2003 2nd, 2004 1st, 2004 2nd, 2005 1st, 2005 2nd, and 2006 as of June 30, 2013 that were not paid off totaling \$6,623,884.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,402,316. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2033 using the straight-line method. The County completed the advance refunding to reduce its total debt service payments over the next 10 years by \$899,677 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$839,345.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2013:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	1.0-6.12%	\$ 91,430,516	\$ 28,168,179	\$ (25,809,382)	\$ 93,789,313	\$ 8,241,742
Less: deferred amounts - refunding		(773,525)	(1,394,060)	151,969	(2,015,616)	-
Add issuance premiums		377,459	2,801,627	(181,424)	2,997,662	-
Total bonds payable		<u>91,034,450</u>	<u>29,575,746</u>	<u>(25,838,837)</u>	<u>94,771,359</u>	<u>8,241,742</u>
Capital lease obligations	*	<u>4,059,985</u>	<u>-</u>	<u>-</u>	<u>4,059,985</u>	<u>201,329</u>
Governmental activity long-term liabilities, primary government		<u>95,094,435</u>	<u>29,575,746</u>	<u>(25,838,837)</u>	<u>98,831,344</u>	<u>8,443,071</u>
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.5-3.9%	727,160	166,821	(414,479)	479,502	101,542
Less: deferred amounts - refunding		(15,553)	(8,256)	2,615	(21,194)	-
Add issuance premiums		11,988	16,592	(2,503)	26,077	-
Total bonds payable		<u>723,595</u>	<u>175,157</u>	<u>(414,367)</u>	<u>484,385</u>	<u>101,542</u>
Other loans payable						
Maryland DBED loan	3.00%	-	500,000	(73,552)	426,448	85,290
Mortgage payable	3.69%	753,746	-	(753,746)	-	-
Other loans payable		753,746	500,000	(827,298)	426,448	85,290
Total bonds and loans payable		<u>1,477,341</u>	<u>675,157</u>	<u>(1,241,665)</u>	<u>910,833</u>	<u>186,832</u>
Capital lease obligations	*	<u>1,007,932</u>	<u>-</u>	<u>(390,531)</u>	<u>617,401</u>	<u>303,187</u>
Business-type activity long-term liabilities		2,485,273	675,157	(1,632,196)	1,528,234	490,019
Less: Nursing Home		(753,746)	-	753,746	-	-
Business-type activity long-term liabilities, primary government		<u>1,731,527</u>	<u>675,157</u>	<u>(878,450)</u>	<u>1,528,234</u>	<u>490,019</u>
Total debt, primary government		<u>96,825,962</u>	<u>30,250,903</u>	<u>(26,717,287)</u>	<u>100,359,578</u>	<u>8,933,090</u>
* Debt not subject to limitation		(5,067,917)	-	390,531	(4,677,386)	(504,516)
Debt subject to limitation		<u>\$ 91,758,045</u>	<u>\$ 30,250,903</u>	<u>\$ (26,326,756)</u>	<u>\$ 95,682,192</u>	<u>\$ 8,428,574</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Summary of remaining debt service requirements for bond payable for the year(s) ended June 30 are as follows (note that the amortization of deferred amounts – refunding and issuance premiums are included in the interest portion of debt service, not the principal):

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 8,241,742	\$ 3,764,940	\$ 101,542	\$ 14,971
2015	8,320,938	3,497,592	104,773	11,657
2016	7,646,699	3,218,030	39,438	8,679
2017	7,830,455	2,929,260	43,228	7,247
2018	7,539,571	2,637,255	45,429	5,630
2019-2023	27,912,211	9,243,308	102,790	12,465
2024-2028	11,525,218	5,305,389	19,782	6,462
2029-2033	12,032,480	2,642,739	22,520	3,714
2034-2035	2,740,000	141,950	-	-
Total debt service requirements	\$ 93,789,314	\$ 33,380,463	\$ 479,502	\$ 70,825

Summary of remaining debt service requirements for other loans payable for the year(s) ended June 30 are as follows:

<u>Year</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 85,290	\$ 7,250
2015	85,290	10,235
2016	85,290	7,676
2017	85,289	5,117
2018	85,289	2,558
Total debt service requirements	\$ 426,448	\$ 32,836

The Maryland DBED loan has a forgiveness clause, the conditions of which must be met on December 31 of each year and reported by January 15 of each year. If the conditions are met, 1/5 of the loan is forgiven. If the conditions are not met, 1/5 of the loan must be repaid with interest on April 1st. One fifth of the principal is \$85,290.

The County has entered into leases for the acquisition of various equipment which transfers ownership at the end of the lease. Accordingly, the present value of the future minimum lease payments and the related assets has been recorded in the appropriate funds. Amortization of those assets is included with depreciation expense.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

During the year ended June 30, 2012, the County entered into an agreement with Energy Systems Group (ESG) for multi-phased energy efficient upgrades and equipment installation. The first phase of the project includes the purchase of a chiller and two boilers totaling \$1,281,463 which have been purchased and included in capital assets in the government-wide Statement of Net Position. The second phase includes design and construction upgrades of lighting, electrical, cooling and heating system upgrades and other uses of energy conservation. The total cost for this phase is \$4,059,985 payable monthly as work progresses during the construction phase. The work contracted for through ESG was completed during fiscal year 2013.

As part of the agreement, ESG has agreed to provide a guarantee energy savings bond which guarantees the County will realize energy savings in excess of the total cost of the project.

The County entered into a lease agreement with Grant Capital Management, Inc. during the year ended June 30, 2012 to fund the design and construction work of the energy efficient upgrades. The lease is payable in biannual payments of \$211,974 beginning July 2013 and bears interest at 3.4%. The balance of the lease as of June 30, 2013 is \$4,059,985.

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Primary Government	
	General Long-Term Debt	Solid Waste Landfill Enterprise Fund
2014	423,947	315,192
2015	423,947	239,993
2016	423,948	79,998
2017	423,948	-
2018 - 2022	2,119,736	-
2023 - 2025	1,271,843	-
	<u>5,087,369</u>	<u>635,183</u>
Amounts representing interest	(1,027,384)	(17,782)
Present value of future minimum lease payments	<u>\$ 4,059,985</u>	<u>\$ 617,401</u>

Long-term debt of the Board of Education consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	<u>\$ 1,986,245</u>	<u>\$ 1,614,911</u>	<u>\$ 1,379,430</u>	<u>\$ 2,221,726</u>	<u>\$ 934,438</u>

The Board does not have the authority to incur bonded debt.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computers, software and vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest expense related to the capital leases below, with interest rates ranging from 1.20% to 2.75%, was approximately \$37,000 for the year ended June 30, 2013.

Approximate future minimum lease commitments are as follows:

Year Ending <u>June 30</u>	<u>Board of Education</u>
2014	965,473
2015	898,473
2016	411,000
	2,274,946
Amounts representing interest	(53,220)
Present value of future minimum lease payments	\$ 2,221,726

HEALTH INSURANCE RESERVES

The County entered into a public entities health care consortium with the Board of Education and the City of Salisbury during fiscal year 2003. The agreement was amended in June of 2011. The agreement was originally effective through the period ended August 31, 2005 and is currently extended on an annual basis. The purpose of this consortium is to reduce administrative expenses. Each entity has its premium rates adjusted based on its experience and benefits. Each year the health care provider produces an annual settlement for all entities. If there is an experience loss, funding will come from the entities based on their individual experience. Settlement among the group will occur within four months after August 31st each year. Each entity agreed to fund a rate stabilization reserve (RSR). The reserve is fully funded when the balance is equal to 7% of the average total annual premium payments for the past three years. The accumulated balance that exceeds 14% of the annual premium for the prior year may be withdrawn from the reserve.

For the year ended June 30, 2013, the health care insurance reserve had the following activity:

Balance at July 1, 2012		\$ 1,241,241
Interest earned (net of expenditures)		1,644
County share of health rate rebates		420,975
One-time City of Salisbury repayment of rate stabilization deficit		90,055
Balance of reserve June 30, 2013 before cap computation		\$ 1,753,915
Health care premium paid through 8/31/12	\$ 8,629,323	
Maximum required reserve balance equals 14% prior year premium	\$ 1,208,105	
Excess health care reserve balance transferred to Unassigned Fund Balance		545,810
Rate stabilization reserve balance at June 30, 2013		\$ 1,208,105

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

HEALTH INSURANCE RESERVES (Continued)

The balance in the reserve fund after interest and cost/rebates is compared to the maximum level required under the agreement (14% of prior year's annual premium). The excess of \$545,810 was transferred to the County's unassigned fund balance leaving the Health Care Rate Stabilization balance funded at 14% of prior year annual premium cost. The size of the excess this year reflects the fact that the RSR has retained more funds than required in prior fiscal years. The table below shows the computation of full funding, which is 7% of past three year average premium payment.

<u>Health Care</u> <u>Period Ending</u>	<u>Premium Paid</u>	<u>Full</u> <u>Funding Amount</u>
August 31, 2012	\$8,629,323	\$611,603
August 31, 2011	\$8,866,005	
August 31, 2010	\$8,716,249	

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2012, the County's total share of the consortium's settlement was a surplus of \$420,975. The RSR for the health care plan is maintained within the general fund.

The employee's share of the health care rebate of \$58,305 was used to reduce County employee contributions in fiscal year 2014.

Board of Education of Wicomico County

The Board entered into a public entities health care consortium with the City of Salisbury (COS) and Wicomico County Council through a memorandum of understanding during fiscal year 2002. The purpose of this consortium is to reduce administrative expenses. Each entity has its premium rates adjusted based on its experience and benefits. Beginning in July 2002, each entity agreed to fund a rate stabilization reserve equal to 10% of average annual premiums. The agreement was originally effective through the period ended August 31, 2004 and is currently extended on an annual basis. Effective September 2011, each entity agreed to increase the rate stabilization reserve to 14% of average annual premiums. The Board determines how to use the amount of reserve which exceeds 14% of average annual premiums. Each year the health care provider will produce an annual settlement for all entities. If there is an experience loss, funding will come from the entities based on their individual experience. Settlement among the group will occur within four months after August 31st each year.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

HEALTH INSURANCE RESERVES (Continued)

Board of Education of Wicomico County (Continued)

For the year ended June 30, 2013, the health care insurance reserve had the following activity:

Balance at July 1, 2012	\$	5,288,561
Subsidy for rate increase		(1,351,891)
Positive settlement – 2012 and COS repayments		1,455,335
Interest earned		5,597
Consulting and other expenditures		(22,302)
Wellness program funding		(30,000)
Other – transfer adjustment		<u>(300,000)</u>
Balance at June 30, 2013	\$	<u><u>5,045,300</u></u>

The consortium’s contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2012, the Board’s share of the consortium’s settlement was a surplus of \$1,187,096. Additionally, the City of Salisbury repaid \$268,239 to the Board for previous deficits (experienced losses) of the City, owed to and shared by the Board and County Council. These amounts were included as other financing sources during the year ended June 30, 2013.

OTHER LIABILITIES TO GOVERNMENTAL AGENCIES

In December, 2001, the Wicomico County Urban Services Commission and Wicomico County entered into an agreement with the City of Fruitland for the purpose of providing water and/or sewer services to areas designated as the service area for the City of Fruitland in the “Wicomico County Comprehensive Water and Sewer Plan”. Under this agreement, the City of Fruitland agrees to construct and maintain all lines and charge 150% of their current City rate for services, with 2% of the gross revenue being remitted to the Commission by the City. As of June 30, 2013 there were no charges for services under this agreement. As part of the agreement, the County paid the City of Fruitland \$1,800,000 for expansion and upgrade of the City’s existing water treatment and wastewater treatment plant and contracted to pay the City an amount equal to a portion of the City’s debt on these facilities at the time of the contract, or \$1,678,234 plus interest. This payment will be made, in installments, over the existing life of the current loans. Total payment in the current year for principal and interest was \$105,304. The total balance due as of June 30, 2013 was \$460,656, with the short term portion being \$83,300.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2013, there is no potential liability to be paid to the federal government during fiscal year 2014, based on interest rates and disbursement of bond proceeds. The County has \$108,951 in arbitrage reserve to cover potential liabilities.

ACCRUED COMPENSATED ABSENCES

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30 and is capped at 45 days. The accrual of sick leave is based on payment upon retirement at their current hourly rate for each unused sick leave day up to a total of 260 hours. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are accounted for.

Changes in accrued compensated absences for the year ended June 30, 2013 are as follows:

	<u>June 30, 2012</u>	<u>Increase</u>	<u>June 30, 2013</u>
Primary government:			
Governmental activities	\$ 3,516,870	\$ 101,217	\$ 3,618,087
Business-type activities	392,572	7,070	399,642
Total primary government	<u>\$ 3,909,442</u>	<u>\$ 108,287</u>	<u>\$ 4,017,729</u>
	<u>June 30, 2012</u>	<u>Increase</u>	<u>June 30, 2013</u>
Component units:			
Board of Education of Wicomico Co.	\$ 2,854,037	\$ 81,521	\$ 2,935,558
Wicomico County Free Library	157,631	9,718	167,349
Total component units	<u>\$ 3,011,668</u>	<u>\$ 91,239</u>	<u>\$ 3,102,907</u>

PENSION AND RETIREMENT PLANS

Retirement Plan for the Employees of Wicomico County, Maryland

Plan Description

The County, through the authority of the County Council, provides pension and retirement benefits through a single employer public employee retirement system (the "County Plan") for its general and public safety employees who have reached the age of 18 and have agreed to make a contribution. The County Plan has a group pension disbursement contract with the Aetna Life Insurance Company and an investment manager contract with Croft-Leominster, Inc. A Board of Trustees holds title to the assets of the plan and controls the operation and record keeping of the trust.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

PENSION AND RETIREMENT PLANS

Retirement Plan for the Employees of Wicomico County, Maryland (Continued)

Plan Description (Continued)

Normal retirement is the earlier of a participant's 25th anniversary or, the later of (1) a participant's 55th birthday and (2) 5 years of service. Early retirement and disability benefits are provided. Normal form of pension is a modified cash refund annuity. Fees paid by the plan for administration expense for the year ended June 30, 2013 were \$149,894.

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2013.

Active eligible	617
Terminated with vested rights	33
Retired	180
	830
	830

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County. Eligible employees are required to participate in the County Plan as a condition of their employment and to make contributions amounting to 5.625% of earnings. A participant is 100% vested after five years of service. The County is required to contribute an actuarially determined amount; for the year ended June 30, 2013 that amount was \$1,924,842.

Annual Pension Cost and Contribution

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual Required Contribution	\$ 1,924,842
Interest on net pension obligation (asset)	(54,341)
Adjustment to Required Contribution	64,337
Annual Pension Cost	1,934,838
Contribution made	(2,245,945)
Decrease in net pension obligation (asset)	(311,107)
Net pension obligation (asset), beginning	(701,181)
Net pension obligation (asset), ending	\$ (1,012,288)

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

PENSION AND RETIREMENT PLANS (Continued)

Retirement Plan for the Employees of Wicomico County, Maryland (Continued)

Annual Pension Cost and Contribution (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit (effective July 1, 2007). Prior to July 1, 2007 the actuarial valuation used the frozen entry age normal (fresh start as of July 1, 1995). The actuarial assumptions include a 7.75% investment rate of return as of July 1, 2007 and 8% prior to July 1, 2007, and a 1% administrative expense and projected salary increase of 5%. Effective July 1, 2009 the valuation will include no projected salary increase for three years, 1% for the fourth year, and 2.5% ongoing. The assumption for retirement age will increase to 2 years after the earliest age eligible for full benefits as of July 1, 2009, based on experience and retirement trends. The entire \$1,012,288 is included in governmental activities in the Statement of Net Position and not allocated to enterprise and special revenue funds because the pension obligation is calculated on the County as a whole and therefore cannot be allocated.

The changes in assumptions for the years beginning July 1, 2009, were made based on revised projections made by County management in light of economic conditions and expected County revenues and expenditures over the next five years.

The actuarial value of assets was determined using asset information as of June 30, 2013, provided by the plan sponsors and designees at market value.

The fiduciary net position and the changes in fiduciary net position are for the year ended June 30, 2013 and on the cash basis at market value.

The assumptions do not include other post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period used at June 30, 2010 was twenty-five years.

Five-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2009	2,076,253	164.7%	(3,275,029)
June 30, 2010	1,394,641	8.7%	(2,002,223)
June 30, 2011	1,397,479	14.1%	(801,947)
June 30, 2012	1,704,075	94.1%	(701,181)
June 30, 2013	1,934,838	116.1%	(1,012,288)

A schedule of Pension Plan Funding Progress is included under Required Supplementary Information.

The Plan does not issue separate financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PENSION AND RETIREMENT PLANS (Continued)

Retirement Plan for Certain Employees of Wicomico County, Maryland (Continued)

Five-Year Trend Information (Continued)

When the County implemented its present pension program, a certain number of its employees who were covered by the Employees' Retirement and Pension System, a plan administered by the State of Maryland, elected to remain in the State plan. The County's contribution to the State plan consists of two elements: a current contribution equal to 11.69% of the employee's earnings (subject to certain limitations with respect to overtime) and a contribution to cover the unfunded accrued liability for the plan. In fiscal year 2013, the County's total contribution amounted to \$41,667 which includes a portion sufficient to amortize the unfunded accrued liability by the year 2020.

The Employees' Retirement System of the State of Maryland was established on October 1, 1941 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to State employees and the employees of participating municipal corporations. In addition, on January 1, 1980, the Employees' Pension System of the State of Maryland was established. Employees hired on or after January 1, 1980 become members of the Employees' Pension System. Existing members of the Employees' Retirement System, unless exempted by law, have the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

The significant plan benefits and policies of the Maryland State Employees' Retirement System parallel that of the Maryland State Teachers' Retirement System, are disclosed below.

Pension Plans for the Board of Education of Wicomico County

Substantially all of the Board's employees are covered by one of three pension plans - the Teachers' Retirement System, the Teachers' Pension System or the Retirement Plan for Employees of the Board of Education of Wicomico County.

Teachers' Retirement System and the Teachers' Pension System

General Plan Policies

Teachers and related occupations are covered by the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. Except for restricted programs as described below, the State pays virtually all the employer's annual contribution. Total contributions paid by the State to the Plan for the year ended June 30, 2013 were \$10,331,627. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. For teachers and other employees whose retirement expense is reimbursed from Federal Restricted Grants, the Board remits monthly payments to the State which represents the amount of retirement expense charged to these restricted programs. The Board has no contingent liability for funding deficits in the system should such occur.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Teachers' Retirement System and the Teachers' Pension System (Continued)

General Plan Policies (Continued)

The contribution and percentage of contribution for the past three years are as follows:

<u>Year Ended June 30</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>	<u>Contribution Percentage of Salary</u>
2011	\$ 841,309	100%	14.34%
2012	\$ 798,168	100%	15.45%
2013	\$ 739,283	100%	13.29%

In addition to the above contribution, beginning in fiscal year 2013, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board contributed \$2,173,593 to the plan.

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927, and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Existing members of the Teachers' Retirement System have the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

Significant Plan Benefits and Policies

The following is a general description of the significant plan benefits and related contribution requirements for the Teachers' Retirement System and the Teachers' Pension System:

Teachers' Retirement System

A. Retirement Benefits

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e., average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Teachers' Retirement System and the Teachers' Pension System (Continued)

Significant Plan Benefits and Policies (Continued)

Teachers' Retirement System (Continued)

B. Vested Allowance

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

C. Employee and Employer Contributions

Members of the Teachers' Retirement Systems are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g., 7% or 5%, depending on the allowance option selected). The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

The State of Maryland contributed \$10,331,627 on behalf of the Board while the Board contributed \$2,173,593 during fiscal year 2013 as a direct result of Maryland Senate Bill 1301.

Teachers' Pension System

A. Retirement Benefits

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service retirement allowance. The annual retirement allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

B. Vested Allowance

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested retirement allowance provided the member lives to age 62. Members terminating employment before attaining retirement age and before completing 5 years of eligibility service are refunded their accumulated contributions plus earned interest.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Teachers' Retirement System and the Teachers' Pension System (Continued)

Significant Plan Benefits and Policies (Continued)

Teachers' Pension System (Continued)

C. Employee and Employer Contributions

Effective July 1, 2011, members of the Teachers' Pension System are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2013. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

The State of Maryland contributed \$10,331,627 on behalf of the Board while the Board contributed \$2,173,593 during fiscal year 2013 as a direct result of Maryland Senate Bill 1301.

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2013 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 110,940,512
Payroll covered under the plans	\$ 91,478,082

Additional information and ten year historical trend information can be obtained from the separately issued State Retirement and Pension System of Maryland Annual Financial Report. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 720 East Baltimore Street, Baltimore, Maryland 21202.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Teachers' Retirement System and the Teachers' Pension System (Continued)

Retirement Plans for Employees of The Board of Education of Wicomico County

General Plan Policies

Employees not covered by the Teachers' Retirement System or the Teachers' Pension System of Maryland are covered by the Retirement Plan for Employees at the Board of Education of Wicomico County, a single-employer, defined benefit plan. Effective January 1, 1994, this plan was merged with the Wicomico County plan to become the retirement plan for employees of Wicomico County and the Board of Education of Wicomico County. Plan provisions remained relatively unchanged. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan are financed by contributions made and income earned from investments. Separate financial statements are not available.

Significant Plan Benefits and Policies

The following is a summary of significant plan benefits and policies:

- A. Eligibility - Employees are eligible if they are at least 18 years of age.
- B. Contributions - Each year an employee is required to contribute 2% of earnings up to \$4,800, plus 4% of earnings in excess of \$4,800. Interest is credited at 5% per year. The Board contributes the remaining actuarially determined amounts necessary.
- C. Retirement:
 - a. Normal retirement is available for employees who are age 65 and over and have obtained 5 years of service.
 - b. Early retirement is available for employees with five years or more experience and who are age 55 or older and are within 10 years of normal retirement date.
- D. Benefits at Retirement:
 - a. For normal retirement, the member will receive a benefit equal to 1 2/3 % of final average earnings times the years and months of service after age 18.
 - b. Early retirement benefits are determined in the same manner as the normal retirement benefits but based on service and salary accrued or earned up to date of early retirement and reduced by the appropriate early retirement factors.
- E. Vesting - A participant is 100% vested after five years of continuous service with the employer.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Retirement Plan for Employees at The Board of Education of Wicomico County (Continued)

Employer's Payroll Covered Under the Plan

The employee's payroll for the year ended June 30, 2013 and payroll covered under the Plan is as follows:

Total payroll	\$ 110,940,512
Payroll covered under the plans	\$ 9,723,988

Plan membership at July 1, 2012, the date of the latest actuarial valuation, consisted of 312 active plan members and 160 retirees and beneficiaries.

Annual Pension Cost and Net Pension Obligation

The Board's annual pension cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. 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 30 years.

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

Annual required contribution	\$ 626,908
Interest on net pension obligation	<u>(45,091)</u>
Annual pension cost	581,817
Contributions made	<u>(648,705)</u>
Net pension obligation (asset)	(66,888)
Net pension obligation (asset) at beginning of year	<u>(65,293)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (132,181)</u></u>

The Board's annual pension cost, annual contribution, and percentage of contribution are as follows:

Year Ended June 30,	Annual Pension Cost	Annual Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2011	\$ 787,370	\$ 640,980	81%	\$ (191,612)
2012	\$ 746,257	\$ 619,938	83%	\$ (65,293)
2013	\$ 581,817	\$ 648,705	111%	\$ (132,181)

Payments for the net pension obligation have typically been liquidated in the General Fund in prior years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PENSION AND RETIREMENT PLANS (Continued)

Pension Plans for the Board of Education of Wicomico County (Continued)

Retirement Plan For Employees At The Board of Education of Wicomico County (Continued)

Funding Status and Funding Progress

As of July 2012, the most recent actuarial valuation date, the plan was 84.8% funded. The actuarial accrued liability for benefits was \$20,925,849 and the actuarial value of assets was \$17,740,383 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,185,466. The covered payroll (annual payroll of active employees covered by the plan) was \$8,767,602 and the ratio of the UAAL to the covered payroll was 36.3%.

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. Amounts determined regarding the funded status of the plan and the annual required contributions on 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.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open basis
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%

Implicit in the investment rate of return and salary scale assumptions is an underlying general rate of inflation assumption of 2.5%.

401(a) Matching Plan

Effective July 1, 2001, the Board implemented and began administering the Wicomico County Board of Education defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participant's contributions to the 403(b) plan. The Board has the right to amend the plan at any time according to the Plan document. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2013, the Board did not make a matching contribution to the plan.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

PENSION AND RETIREMENT PLANS (Continued)

Pension Plan for the Employees of the Wicomico County Free Library

State Retirement and Pension System of Maryland

All full-time personnel employed in a Library position participate in the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland. All other eligible permanent employees excluded above are enrolled in the Maryland State Employees' Retirement System or the Employees' Pension System. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries.

The retirement plans are administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 410-625-5555.

Funding Policy

The State Personnel and Pensions Article requires active members to contribute to the State System at a percentage of their covered salary depending upon the retirement option selected. The State funds substantially all the employer's annual contributions. The Library has no contingent liability for funding deficits in the system should such occur.

On-behalf payments made by the State of Maryland that represent contributions to a pension plan for which the employer government is not legally responsible were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Of APC Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 198,633	100%	0
6/30/2012	186,962	100%	0
6/30/2013	161,266	100%	0

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

DEFERRED COMPENSATION PLAN

The County offers certain employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The County matched 20% for calendar year 2012 contributions, which was \$88,602. This match was expensed during fiscal year ended June 30, 2013, but was not paid until July 2013. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred amounts are invested in various annuity contracts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the deferred compensation plan participants. The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the statement of net position of the County.

DEATH BENEFITS

The County provides a death benefit equivalent to a deceased employee's current annual salary, regardless of length of service. Expenditures for death benefits are funded from a reservation of fund balance.

POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described above, the County provides post-retirement health care benefits as approved by the County Council to all retirees (and their dependents) who are eligible to retire under the County Pension System. The post-retirement health care benefit is also offered to certain County employees who retire under the State Retirement System, are at the age to receive Social Security benefits and have a least ten years service with the County (public safety employees are eligible at age 60 with nine years service). The post-retirement health care benefit is also offered to all employees who are eligible for post-retirement benefits, even if they are not in a County or State pension system. The employee may retire and retain their health insurance coverage which includes medical, prescription, dental and vision while paying the same percentage of contract cost as while employed which as of June 30, 2013 was 15% of employee cost and 25% of dependant coverage.

For the year ended June 30, 2013 there were 203 participants receiving post-retirement health care benefits at a direct cost to the County of \$1,669,872.

In July 2004, the GASB issued Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions ("OPEB"). This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information (RSI) in the financial reports of state and local governmental employers. It is permissible to combine the RSI with the note disclosures.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County, Maryland

Plan Description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the 'Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County' ("the trust"). A Board of Trustees ("the Board") oversees the trust. Effective June 29, 2009, the City of Salisbury was approved to join the trust.

The plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the trust.

The assets of the trust are managed by an investment manager, Croft-Leominster, Inc., under a formal investment policy. The Board meets quarterly to review investment performance. The investment manager provides a fiscal year performance report to the Board. Questions regarding performance should be directed to the Plan Administrator. The plan does not issue a stand-alone financial report.

Funding Policy

During the year ended June 30, 2008, Wicomico County changed its method of accounting for post-employment benefits other than pensions by adopting GASB 45. This statement was implemented prospectively.

Since the implementation of GASB 45 the County has continued to pay current retiree medical payments from the General Fund and make contributions to the trust, to the extent possible, to meet the Actuarially Required Contributions (ARC). During the recession constrained budgets of fiscal years 2010, 2011, and 2012 the County contributed only \$198,070 to the trust; a level below the ARC requirement. The ARC for FY13 was \$2,871,000. The County made a contribution of \$3,646,440 which included \$1,669,872 of net equivalent retiree claim costs. The fiscal year 2013 trust contribution was \$1,976,567. Trust contributions will be scaled up such that the ratio of assets to unfunded AAL reaches 91% funding level by 2026 assuming a 5% trust return on investment.

The mid-term plan is to transition payment of retiree healthcare payments from the General Fund to the Trust Fund in fiscal year 2017. The trust fund contribution will be increased by the amount that would have been paid out directly.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County, Maryland
(Continued)

Annual OPEB Cost and Net OPEB Obligation (Asset)

The County's OPEB cost (expense) is the ARC, which 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 30 years. The following table shows the components of the County's annual OPEB cost for the years 2011, 2012 and 2013, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

	2011	2012	2013
Annual Required Contribution	\$ 2,056,000	\$ 2,645,000	\$ 2,871,000
Interest on Net OPEB Obligation (Asset)	(44,115)	27,240	102,688
Adjustment to Annual Required Contribution	47,400	(29,300)	(110,500)
Annual OPEB Cost	2,059,285	2,642,940	2,863,188
Direct Cost and Contributions (1)	(1,107,882)	(1,636,969)	(3,646,439)
Increase/(Decrease) in Net Obligation	951,403	1,005,971	(783,251)
Net OPEB Obligation (Asset), beginning of year	(588,197)	363,206	1,369,177
Net OPEB Obligation (Asset), end of year	\$ 363,206	\$ 1,369,177	\$ 585,926

2012 Note: (1) \$0 to the trust, plus \$1,636,969 of net equivalent retiree claim costs

2013 Note: (1) \$1,976,567 to the trust, plus \$1,669,872 of net equivalent retiree claim costs

The annual OPEB Cost and Net OPEB Obligation (Asset) is determined on the basis of annual contributions.

Schedule of Funding Progress

In fiscal year 2007, the County prefunded \$1,000,000 although it did not implement GASB 45. In fiscal year 2008, the County fully funded the ARC of \$2,067,000 plus \$1,113,706 in health care rebates. In fiscal year 2009, the County funded \$1,525,130, including a health care rebate of \$296,538. The great recession required the county to limit contributions to the OPEB trust during fiscal years 2010, 2011 and 2012 to preserve overall fund balance/liquidity. Funding was restored in fiscal year 2013 as shown in the table below.

Fiscal Year Ending	Annual OPEB Cost	Total Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)/Liability
June 30, 2011	2,059,285	1,107,882	53.80%	363,206
June 30, 2012	2,642,940	1,636,969	61.90%	1,369,177
June 30, 2013	2,863,188	3,646,440	127.40%	585,926

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County, Maryland
(Continued)

Schedule of Funding Progress (Continued)

Actuarial assumptions 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 funding 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 but included in 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.

Summary of Actuarial Methods and Assumptions

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

In the June 30, 2012 actuarial valuation, the projected unit credit funding method was used. The actuarial assumptions included an investment return of 7.5%. Mortality calculations were done using the RPA 2000 gender specific method, turnover T5, and a marriage rate of 60% for pre-65 and 40% of post-65. Aging factors were applied to premium equivalencies, and the trend rate was 12% for 2009, 10% for 2011 and decreasing linearly each year to an ultimate annual increase of 5%. Assumptions were made about the probability of retirement and the probability of electing coverage of:

	<u>Probability of Retirement</u>	<u>Probability of Electing Coverage</u>
First year of eligibility	35%	75%
Subsequent year of eligibility	25%	75%
Age 62	100%	75%

Retiree Subsidy

The County has an implied subsidy for its retiree health care costs as both current employees and retirees pay the same rate, and retiree health care costs are higher. The employer's share of the current coverage cost for each group should be calculated based on the claims cost, or age-adjusted premiums for that group. The employer's share for retiree benefits is the difference between claims costs or age-adjusted premiums for retirees and the amount contributed by retirees – i.e., the retiree subsidy.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County, Maryland (Continued)

Retiree Subsidy (Continued)

The County's implicit subsidy for retiree premiums is \$1,669,862.

	538 Active Employees	203 Retirees	741 Total
Total age adjusted premiums	\$ 4,424,562	\$ 2,057,544	\$ 6,482,106
Less: member contributions	-	(387,672)	(387,672)
Employer retiree subsidy	<u>\$ 4,424,562</u>	<u>\$ 1,669,872</u>	<u>\$ 6,094,434</u>

Actuarial Certification

The County has on record a certification for the Plan's actuary, CBIZ, that no material changes with respect to OPEB benefits and the census of covered participants have occurred, which would preclude the County from using the initial valuation for the second year of the permitted biennial cycle. The Actuary further stipulates that the methods and assumptions used in the original valuation met the requirements at the American Academy of Actuaries Actuarial Standards of Practice (ASOP) No. 4.

Post-Retirement Health Care Benefits Plan For Employees At The Board of Education of Wicomico County

During the year ended June 30, 2007, the Board of Education for Wicomico County changed its method of accounting for post-employment benefits other than pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

Beginning in 2010, the Board funded 70% of the individual health care insurance costs for retirees who were qualified to retire on or after July 17, 2007 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. The Board previously funded 55% of the individual health care insurance costs for eligible retirees who had accumulated at least 15 years of service with the Board prior to retirement (before July 17, 2007). Approximately 690 retirees, who have worked for at least five years are eligible to participate in the post-retirement benefit program.

Plan Description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the "Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County" ("the trust"). A Board of Trustees oversees the trust. Effective June 29, 2009, the City of Salisbury was approved to join the trust. Separate financial statements for the trust are not issued.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan For Employees At The Board of Education of Wicomico County (Continued)

Plan Description (Continued)

The Plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the trust. The plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouses.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$3.98 million, including approximately \$2.72 million for current claim costs (approximately 70% of total premiums); an additional \$1.05 million to pre-fund benefits and an estimated retiree subsidy of \$216,000. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$190 per month for retirees-only coverage (if under 65), \$134 per month for retirees-only coverage (if 65 or older) and \$1,022 for retiree and spouse coverage. These monthly premium costs are for PPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The Board's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 30 years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan For Employees At The Board of Education of Wicomico County (Continued)

Annual OPEB Cost and Net OPEB Obligation (Asset) (Continued)

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

Annual required contribution		\$ 4,129,061
Interest on net OPEB obligation		(184,748)
Adjustment to annual required contribution		198,700
Annual OPEB cost (expense)		4,143,013
Contributions made:		
Premium equivalency & retiree subsidy payments		
from General Fund	(2,931,981)	
Prefunding contribution	(1,052,019)	
Total contributions made		(3,984,000)
Net OPEB obligation (asset)		159,013
Net OPEB obligation (asset) at beginning of year		(2,463,304)
Net OPEB obligation (asset) at end of year		\$ (2,304,291)

The Board's annual OPEB cost, annual contribution, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/11	\$ 3,592,074	\$ 4,354,000	121.21%	\$ (2,112,026)
6/30/12	3,927,822	4,279,100	108.94%	(2,463,304)
6/30/13	4,143,013	3,984,000	96.16%	(2,304,291)

Payments for the net OPEB obligation have typically been liquidated in the General Fund in prior years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Health Care Benefits Plan For Employees At The Board of Education of
Wicomico County (Continued)

Funding Status and Funding Progress

As of July 2012, the most recent actuarial valuation date, the plan was 18.0% funded. The actuarial accrued liability for benefits was \$53,619,644 and the actuarial value of assets was \$9,671,300 resulting in an unfunded actuarial accrued liability (UAAL) of \$43,948,344. The covered payroll (annual payroll of active employees covered by the plan) was \$103,261,000 and the ratio of UAAL to the covered payroll was 42.6%.

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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the 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 the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 2012 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Implicit in the investment return, salary scale and trend rate assumption is an underlying general rate of inflation assumption of 2.5%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Wicomico County Free Library

The Library is a component unit of Wicomico County, Maryland and its employees are members of the County's health plan. Retirees of the Library pay the full cost of their health insurance premiums and any implied subsidy is reported in the Post-Retirement Health Care Benefits footnote in the financial statements of Wicomico County, Maryland.

LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$7,660,305 reported as landfill closure and post closure care cost liability at June 30, 2013, represents the cumulative amount reported to date based upon attaining 75% of the estimated capacity of open cells #1, #2, #3, and #4 and 49.40% of cells #5 and #6 at the landfill and monitoring all cells, including closed cells, for thirty years. The County will recognize the remaining estimated cost of closure and post closure care estimated to be \$2,200,189 as the remaining capacity is filled. The estimated remaining life is 30 years. These amounts are based on estimated cost to perform all closure and post closure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. In addition to having a general obligation bond rating of AA from Standard and Poor's, the County has approximately \$13,300,000 of currently available assets which may be used for landfill closure and post closure costs.

SOLID WASTE ENTERPRISE FUND LOSS

In fiscal year 2008, the County suffered a loss from fraud in the Solid Waste enterprise fund. In fiscal year 2009, the County received an insurance settlement of \$250,000 related to the loss. The Court has ordered the adjudicated perpetrators of the fraud to reimburse the County \$168,500; as of June 30, 2012, the County had received \$161,810; for the year ended June 30, 2013 the County received \$1,990. The County has a receivable in the Solid Waste fund for \$4,700 for the balance of the court ordered restitution.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

OPERATING LEASE

The County is committed under a non-cancelable operating lease for the right to use the leased property as a site for the disposal of dredge spoil produced by the dredging of the Wicomico River. Future minimum operating lease commitments for this right are as follows:

<u>Year ending June 30</u>	
2014	<u>\$ 25,000</u>
Total	<u>\$ 25,000</u>

The lease also extends from April 1, 2014 through March 31, 2017 under which no rent shall be payable. Rent expenditures were \$25,000 for the year ended June 30, 2013.

NURSING HOME

The County owns and operates a 102-bed licensed nursing home in Salisbury. The facility is staffed by 131 full-time and part-time personnel. The occupancy rate was 85.16% for fiscal year 2013. The primary third-party reimbursement is from Medicaid. An expansion and renovation of the home was completed in 1999. Financing for the project was provided through a conventional bank loan secured by a mortgage on the facility. The balance on the mortgage was fully satisfied as of May 1, 2013. The County approved operating budgets of \$9,005,156 and \$9,497,289, respectively, for fiscal years 2012 and 2013 for the home. The County also approved capital budgets for fiscal years 2012 and 2013 of \$78,175 and \$96,600, respectively. The fiscal year 2014 approved budgets for the nursing home include an operating budget of \$9,328,404 and a capital budget of \$54,200. The nursing home is self-supporting and receives no appropriation of County funds.

COMMITMENTS AND CONTINGENCIES

Wicomico County, Maryland

The County is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in the aggregate, have a material adverse effect on the financial position of the County.

The County receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant to the County's financial statements.

The Wicomico County Urban Services Commission continues to abide by an expired contract with the City of Salisbury to purchase water and sewer supplied to a district. The Wicomico County Urban Services Commission is required to charge this district 150% of the City's current rate and remit 80% of the billings to the City. Total collections for the year ended June 30, 2013 were \$551,057.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico County (Continued)

The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections for the districts for 2013 were \$39,642.

In February 2002, the Wicomico County Urban Services Commission established a lighting district in the Westwood/Westover Hills area. The cost of power is being borne by Delmarva Power who then bills the Commission on a monthly basis. The Commission then bills the property owners.

Wicomico Nursing Home

The Wicomico Nursing Home (the "Facility") receives revenue from Medicaid, Medicare, private insurance, private patients, and other third-party payors. The health care industry is experiencing the effects of the federal and state governments' trend toward cost containment, as government and other third-party payors seek to impose reimbursement and utilization rates and negotiate reduced payment schedules with providers.

It is not possible to fully quantify the effect of recent legislation, the interpretation or administration of such legislation, or any other government initiatives on the Facility's business. Accordingly, there can be no assurance that any future health care legislation will not adversely affect the Facility's business. There can be no assurance that payments under government and private third-party payor programs will be timely, will remain at levels comparable to present levels, or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Facility's financial position and change in net position may be effected by the reimbursement process, which in the Facility's industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

The Wicomico Nursing Home (the "Facility") was built with the financial assistance of a grant under the Hill – Burton Program. Under this program, the Facility had certain obligations it was required to meet, including the obligation to make available uncompensated services to eligible persons. During the year ended June 30, 2013, the Facility was officially released from any future obligations under this program.

The Board of Education of Wicomico County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has signed contracts for the renovation of Bennett Middle School in the amount \$58,442,000. At June 30, 2013, \$6,021,300 had been expended on the renovation of Bennett Middle School related to these contracts.

The Board receives a substantial amount of its support from Federal, State, and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

COMMITMENTS AND CONTINGENCIES (Continued)

The Board of Education of Wicomico County (Continued)

The Board is a defendant in various lawsuits. After considering all relevant facts and opinion of legal counsel, it is management's opinion that such litigation will not have a material adverse effect on the financial position of the Board.

The Wicomico County Free Library

The Library receives a substantial amount of its support from the state and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Library's programs and activities.

The Library is the recipient of various Federal and State and other grants. The Library may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. Management is not aware of any repayment requests affecting these financial statements.

RISK MANAGEMENT

Wicomico County, Maryland

The Primary Government is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County carries commercial insurance for these and other risks of loss. Additionally, the County designates a portion of its unreserved fund balance for self-insurance for losses arising from vandalism, automobile damage, boiler replacement, and disability insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last five years.

The Wicomico County Urban Services Commission

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Wicomico County, Maryland carries commercial insurance for these and other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in the last five years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

RISK MANAGEMENT (Continued)

The Board of Education of Wicomico County

The Board of Education of Wicomico 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 Board has joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the "Fund"), a public entity risk pool currently providing workers' compensation coverage for participating boards of education in the State of Maryland. The Board of Education of Wicomico County pays an annual premium to the Fund each year which is calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in the workers compensation claims fund, this deficit may be made up from additional assessments of boards participating in fund. The Board also joined the Maryland Association of Board of Education's Group Insurance Pool (the Pool) on July 1, 2000. The Pool is a public entity risk pool providing property and casualty insurance coverage for its participating members, who are also boards of education in the State of Maryland. The Board pays an annual premium to the Pool, based on student enrollment, vehicle inventory, insurable value of Board property, and insurance claims experience from previous years. The agreement for the Pool provides that it will be self sustaining through member premiums and will reinsure through commercial companies for claims that exceed coverage limits for legal liability, property, and crime exposures specified in the agreement. Should the Pool encounter deficits in either the property or casualty fund, this deficit may be made up from additional assessments of boards participating in the Pool. The Board continues to carry commercial insurance for other risks, including pollution liability, retirement plan fiduciary liability, employee health and life insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years, and there have been no significant reductions in insurance coverage from the prior year.

The Wicomico County Free Library

The Wicomico County Free Library 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. These risks are primarily mitigated by coverage from commercial insurance companies. The Wicomico County Free Library is essentially self-insured for purposes of funding unemployment claims, and earmarks a portion of the General Fund budget each year for potential claims.

As of June 30 of each year, expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Library anticipates no additional liabilities for potential claims against the Library as of June 30, 2013. Therefore, the Statement of Net Position contains no provision for, and it also does not present, estimated claims.

There have been no significant reductions in commercial insurance coverage as compared with the coverage for the previous year. There were no settlements that exceeded insurance coverage in any of the past three years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities and equipment deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues to be received in connection with the financing and from any other monies made available to the user for such purposes. Upon repayment of the bonds, ownership of the acquired facilities and equipment transfers to the private sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, neither conduit debt nor the related asset is reported. There were no conduit debt obligations outstanding as of June 30, 2013.

NEW PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) approved Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will require certain items that were previously reported as assets and liabilities to be reported as deferred outflows of resources or deferred inflows of resources. The County will be required to implement GASB Statement No. 65 for the year ending June 30, 2014.

GASB has also approved Statement No. 68 which will require the County to provide additional information in the financial statements related to cost sharing pension plans. The County will be required to implement GASB Statement No. 68 for the year ending June 30, 2015.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PRIOR PERIOD ADJUSTMENTS

Fund balances at June 30, 2012 have been restated for the governmental funds as follows:

	General Fund	Grants Fund	Capital Projects	Roads	Other Governmental Funds	Total Governmental Funds
Fund balances at June 30, 2012 as previously reported	\$ 39,054,291	\$ 853,615	\$ 26,784,932	\$ 3,994,119	\$ 1,272,425	\$ 71,959,382
Adjustment to Capital Projects for the Board of Education capital improvements and retainage	-	-	(226,272)	-	-	(226,272)
Transfer from Solid Waste (see page 95)	117,840	-	-	-	-	117,840
Other adjustments	(4)	29	-	-	-	25
Fund balances at June 30, 2012 as restated	<u>\$ 39,172,127</u>	<u>\$ 853,644</u>	<u>\$ 26,558,660</u>	<u>\$ 3,994,119</u>	<u>\$ 1,272,425</u>	<u>\$ 71,850,975</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PRIOR PERIOD ADJUSTMENTS (Continued)

Net position at June 30, 2012 has been restated for the enterprise funds as follows:

	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>	<u>Convention & Visitors Bureau</u>	<u>Youth & Civic Center</u>	<u>Urban Services & Other Funds</u>	<u>Total Enterprise Funds</u>
Net position at June 30, 2012 as previously reported	\$ 14,715,504	\$ 45,326,782	\$ 3,563,335	\$ 1,556,646	\$ 11,027,395	\$ 1,865,954	\$ 78,055,616
Record inventory	99,340	-	-	-	-	-	99,340
Correction of revenues not reported in proper period	-	-	-	-	-	1,563	1,563
Transfer to General Fund (see page 94)	(117,840)	-	-	-	-	-	(117,840)
Other adjustments	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74)</u>	<u>-</u>	<u>(64)</u>
Net position at June 30, 2012 as restated	<u>\$ 14,697,014</u>	<u>\$ 45,326,782</u>	<u>\$ 3,563,335</u>	<u>\$ 1,556,646</u>	<u>\$ 11,027,321</u>	<u>\$ 1,867,517</u>	<u>\$ 78,038,615</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net position at June 30, 2012 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at June 30, 2012 as previously reported	\$ 51,634,430	\$ 78,055,616
Net changes to governmental funds (on previous page)	(108,407)	
Net changes to enterprise funds (on previous page)		(17,001)
Correction to receivables	139,681	-
Correction to capital assets	6,932	-
Other	<u>15</u>	<u>-</u>
Net position at June 30, 2012 as restated	<u>\$ 51,672,651</u>	<u>\$ 78,038,615</u>

REQUIRED SUPPLEMENTARY
INFORMATION

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 60,006,246	\$ 60,006,246	\$ 60,969,775	\$ 963,529
Income taxes	40,472,224	40,472,224	41,027,904	555,680
Other taxes	3,297,756	3,297,756	3,560,300	262,544
Licenses and permits	1,245,500	1,245,500	1,242,057	(3,443)
Intergovernmental	4,926,936	4,926,936	4,866,193	(60,743)
Charges for services	2,983,525	3,021,125	4,245,198	1,224,073
Fines and forfeitures	59,700	101,893	138,681	36,788
Miscellaneous	539,243	579,337	1,175,008	595,671
Investment earnings	94,000	94,000	102,197	8,197
Total revenues	<u>113,625,130</u>	<u>113,745,017</u>	<u>117,327,313</u>	<u>3,582,296</u>
EXPENDITURES				
General government				
Legislative/council	<u>381,200</u>	<u>384,009</u>	<u>349,670</u>	<u>34,339</u>
Administrative/executive	<u>468,920</u>	<u>503,920</u>	<u>503,502</u>	<u>418</u>
Judicial				
Circuit Court	995,122	1,005,516	947,402	58,114
Orphans' Court	35,066	35,066	25,739	9,327
State's Attorney	1,804,171	1,828,868	1,810,932	17,936
Total judicial	<u>2,834,359</u>	<u>2,869,450</u>	<u>2,784,073</u>	<u>85,377</u>
Elections	<u>918,800</u>	<u>918,800</u>	<u>861,736</u>	<u>57,064</u>
Management information systems	<u>608,154</u>	<u>608,154</u>	<u>530,017</u>	<u>78,137</u>
Purchasing	<u>127,520</u>	<u>129,270</u>	<u>129,224</u>	<u>46</u>
Financial administration				
Finance	903,210	903,410	900,790	2,620
Public accountant	74,050	79,620	73,500	6,120
Total financial administration	<u>977,260</u>	<u>983,030</u>	<u>974,290</u>	<u>8,740</u>
Human resources	<u>422,121</u>	<u>439,340</u>	<u>396,428</u>	<u>42,912</u>
Legal	<u>267,659</u>	<u>305,273</u>	<u>299,663</u>	<u>5,610</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
General government (continued)				
Community promotion	225,029	227,529	225,437	2,092
Planning and zoning	1,135,543	1,217,003	1,144,203	72,800
General services	881,654	884,142	814,147	69,995
Total general government	9,248,219	9,469,920	9,012,390	457,530
Public safety				
Sheriff's Department	7,399,354	7,891,843	7,618,872	272,971
Emergency Services	1,516,897	1,520,713	1,480,042	40,671
Fire Department	4,297,856	4,297,856	4,272,599	25,257
Liquor License Board	165,093	173,328	170,319	3,009
Protection of Animals	240,038	240,038	240,038	-
Total public safety	13,619,238	14,123,778	13,781,870	341,908
Detention Center	11,106,281	11,153,547	10,730,386	423,161
Public works				
Weed control	2,200	2,200	32	2,168
Sanitation, water, and sewer	105,304	105,304	105,304	-
Tri-County Council/Shore Transit	315,343	315,343	315,343	-
Total public works	422,847	422,847	420,679	2,168

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare				
Public health	3,061,272	3,061,272	3,058,264	3,008
Mosquito control	140,900	152,600	133,999	18,601
Gypsy Moth control	1,500	1,500	1,500	-
Total health and welfare	<u>3,203,672</u>	<u>3,215,372</u>	<u>3,193,763</u>	<u>21,609</u>
Social services	<u>241,488</u>	<u>241,488</u>	<u>241,488</u>	<u>-</u>
Education				
Board of Education	39,173,593	39,173,593	39,173,593	-
Wicomico County Free Library	1,052,569	1,052,569	1,052,569	-
Community College - grant	3,120,880	3,120,880	3,120,880	-
Extension Service	83,210	83,210	82,073	1,137
Total education	<u>43,430,252</u>	<u>43,430,252</u>	<u>43,429,115</u>	<u>1,137</u>
Culture and recreation	<u>1,670,611</u>	<u>1,680,118</u>	<u>1,620,896</u>	<u>59,222</u>
Miscellaneous				
Social security	1,701,202	1,701,256	1,636,950	64,306
Grants and mandates	788,809	788,809	776,616	12,193
Funded retirement plan	1,563,955	1,563,955	1,526,688	37,267
OPEB	1,428,050	1,428,050	1,454,748	(26,698)
Provision for compensated absences	-	-	15,812	(15,812)
Hospitalization, disability and life	5,046,611	5,046,611	4,732,877	313,734
Unemployment compensation	130,864	130,864	13,852	117,012
Workers' compensation	744,823	744,823	608,139	136,684
Liability and arbitrage insurance	800,000	800,000	648,512	151,488
Auto sinking fund	-	(38,284)	-	(38,284)
Total miscellaneous	<u>12,204,314</u>	<u>12,166,084</u>	<u>11,414,194</u>	<u>751,890</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Debt service				
Principal	10,009,960	10,009,960	9,199,959	810,001
Interest	4,051,093	4,051,093	3,514,492	536,601
Agent fees	40,000	40,000	39,075	925
	<u>14,101,053</u>	<u>14,101,053</u>	<u>12,753,526</u>	<u>1,347,527</u>
Total debt service				
	<u>14,101,053</u>	<u>14,101,053</u>	<u>12,753,526</u>	<u>1,347,527</u>
Total expenditures	<u>109,247,975</u>	<u>110,004,459</u>	<u>106,598,307</u>	<u>3,406,152</u>
Excess of revenues over expenditures	<u>4,377,155</u>	<u>3,740,558</u>	<u>10,729,006</u>	<u>6,988,448</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	516,309	516,310	500,504	(15,806)
Transfers out	(6,758,145)	(6,916,872)	(6,916,872)	-
Appropriations of fund equity	2,621,092	3,185,352	-	(3,185,352)
Other uses	(756,411)	(525,348)	-	525,348
	<u>(4,377,155)</u>	<u>(3,740,558)</u>	<u>(6,416,368)</u>	<u>(2,675,810)</u>
Total other financing uses				
	<u>(4,377,155)</u>	<u>(3,740,558)</u>	<u>(6,416,368)</u>	<u>(2,675,810)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,312,638</u>	<u>\$ 4,312,638</u>

**WICOMICO COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
OTHER POST EMPLOYMENT BENEFIT PLAN**

(UNAUDITED)

Single Employer Defined Benefit Pension Plan

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	35,099,401	38,537,760	3,438,359	91.08%	26,460,911	12.99%
7/1/2010	39,464,260	41,980,313	2,516,053	94.01%	24,986,183	10.07%
7/1/2011	46,641,169	49,626,248	2,985,079	93.98%	22,711,862	13.14%
7/1/2012	46,077,879	51,487,902	5,410,023	89.49%	24,219,224	22.34%
7/1/2013	51,138,981	55,303,666	4,164,685	92.47%	25,807,422	16.14%

Other Post Employment Benefit Plan

7/1/2009	5,118,475	26,447,400	21,328,925	19.35%	32,722,462	65.18%
7/1/2010	5,969,103	27,088,329	21,119,226	22.04%	29,999,269	70.40%
7/1/2011	7,264,824	29,012,511	21,747,687	25.04%	28,707,791	75.76%
7/1/2012	7,168,320	30,556,661	23,388,341	23.46%	28,101,831	83.23%
7/1/2013	9,933,143	32,765,898	22,832,755	30.32%	28,438,179	80.29%

WICOMICO COUNTY, MARYLAND
THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTH INSURANCE PLAN TRUST
PENSION PLAN FOR EMPLOYEES

(UNAUDITED)

Retiree Health Insurance Plan Trust

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	2,181,000	34,046,000	31,865,000	6.41%	109,000,000	29.23%
7/1/2009	3,209,000	48,341,000	45,132,000	6.64%	109,000,000	41.41%
7/1/2010	5,251,300	45,458,666	40,207,366	11.55%	101,419,000	39.64%
7/1/2011	8,153,600	50,520,033	42,366,433	16.14%	98,246,000	43.12%
7/1/2012	9,671,300	53,619,644	43,948,344	18.04%	103,261,000	42.56%

Pension Plan for Employees

7/1/2003	10,066,394	11,637,837	1,571,443	86.50%	5,951,447	26.40%
7/1/2004	11,230,846	12,556,267	1,325,421	89.44%	6,353,085	20.86%
7/1/2005	12,113,245	13,883,815	1,770,570	87.25%	6,708,737	26.39%
7/1/2006	13,375,529	14,610,973	1,235,444	91.54%	7,034,996	17.56%
7/1/2007	15,284,191	15,820,246	536,055	96.61%	7,538,827	7.11%
7/1/2008	15,642,697	16,870,084	1,227,387	92.72%	8,484,889	14.47%
7/1/2009	13,369,971	18,200,762	4,830,791	73.46%	9,168,811	52.69%
7/1/2010	15,030,395	19,424,052	4,393,657	77.38%	9,242,654	47.54%
7/1/2011	17,790,677	20,163,825	2,373,148	88.23%	8,985,943	26.41%
7/1/2012	17,740,383	20,925,849	3,185,466	84.78%	8,767,602	36.33%

SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 51,599,204	\$ 51,809,068	\$ 209,864
Railroads and public utilities	2,500,526	2,970,011	469,485
Ordinary business corporations	7,722,016	7,434,746	(287,270)
Subtotal real and personal property taxes	<u>61,821,746</u>	<u>62,213,825</u>	<u>392,079</u>
Interest and fees on delinquent taxes	501,500	472,732	(28,768)
Subtotal real and personal property taxes after interest and fees on delinquent taxes	62,323,246	62,686,557	363,311
Manufacturing exemptions	(1,550,000)	(1,361,900)	188,100
Net additions and abatements	(90,000)	93,791	183,791
Tax credits	(117,000)	(156,581)	(39,581)
Deferred and uncollected taxes	(200,000)	78,173	278,173
Discounts allowed	(360,000)	(370,265)	(10,265)
Total real and personal property taxes	<u>60,006,246</u>	<u>60,969,775</u>	<u>963,529</u>
Income taxes	<u>40,472,224</u>	<u>41,027,904</u>	<u>555,680</u>
Other taxes			
Admission and amusement	150,000	157,103	7,103
Recordation tax	2,249,756	2,502,251	252,495
911 telephone surcharge tax	548,000	558,559	10,559
Trailer park	350,000	342,387	(7,613)
Total other taxes	<u>3,297,756</u>	<u>3,560,300</u>	<u>262,544</u>
Total taxes	<u>103,776,226</u>	<u>105,557,979</u>	<u>1,781,753</u>
Licenses and permits			
Alcoholic beverages	179,000	193,798	14,798
Amusement	6,500	5,480	(1,020)
Traders	65,000	62,615	(2,385)
Building, equipment, and electrical	145,000	135,207	(9,793)
Marriage	20,000	23,620	3,620
Cable TV franchise	820,000	816,542	(3,458)
Other	10,000	4,795	(5,205)
Total licenses and permits	<u>1,245,500</u>	<u>1,242,057</u>	<u>(3,443)</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental			
Operating grants and contributions			
Disparity grant	2,197,041	2,197,041	-
Teacher retirement supplementary grant	1,567,837	1,567,837	-
Health	62,055	50,038	(12,017)
Public safety - detention center	91,703	91,703	-
Public safety - police	405,900	259,186	(146,714)
Charges for services and fees			
General government - circuit courts	122,400	135,700	13,300
Health	480,000	530,131	50,131
Planning and zoning	-	547	547
Payments in lieu of taxes	-	27,845	27,845
Miscellaneous	-	6,165	6,165
Total intergovernmental	<u>4,926,936</u>	<u>4,866,193</u>	<u>(60,743)</u>
Charges for services			
Bay Restoration - administrative fee	30,000	20,267	(9,733)
City of Salisbury - share of building expenses	125,000	106,818	(18,182)
City of Salisbury - share of MIS	5,000	-	(5,000)
City of Salisbury - share of planning & zoning	163,558	163,558	-
Detention Center - local charges	76,602	133,154	56,552
Detention Center - reimbursement for inmates expenses, federal and state per diem	373,340	377,593	4,253
Detention Center - reimbursement for inmates expenses, enterprise funds	125,000	87,979	(37,021)
Fire safety fees	110,000	282,584	172,584
Forest Conservation service charges	2,740	3,125	385
Health - mosquito control fees	100,000	119,708	19,708
Impact fees	250,000	1,267,124	1,017,124
Miscellaneous fees, rentals, and sales	26,360	54,286	27,926
Public works subdivision review fees	20,000	10,710	(9,290)
Recreation program fees	55,424	54,402	(1,022)
Room tax - administrative fee	17,000	18,711	1,711
Sheriff's fees	463,801	504,210	40,409
Sheriff's services - Board of Education	573,000	513,665	(59,335)
Specialty taxes - administrative fee	-	6,103	6,103
Enterprise funds - administrative fee	89,000	89,000	-
Wicomico County Liquor Control Board fee	410,000	428,030	18,030
Zoning and subdivision fees	5,300	4,171	(1,129)
Total charges for services	<u>3,021,125</u>	<u>4,245,198</u>	<u>1,224,073</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	<u>101,893</u>	<u>138,681</u>	<u>36,788</u>
Miscellaneous	<u>579,337</u>	<u>1,175,008</u>	<u>595,671</u>
Investment earnings	<u>94,000</u>	<u>102,197</u>	<u>8,197</u>
Total revenues	<u>\$ 113,745,017</u>	<u>\$ 117,327,313</u>	<u>\$ 3,582,296</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 115,000	\$ 115,000	\$ -
Salaries - general	181,690	181,651	39
Operating expenditures	85,905	51,605	34,300
Capital outlay	1,414	1,414	-
Total legislative/council	<u>384,009</u>	<u>349,670</u>	<u>34,339</u>
Administrative/executive			
Salaries - elected office	85,000	85,000	-
Salaries - general	330,590	330,589	1
Operating expenditures	88,330	87,913	417
Total administrative/executive	<u>503,920</u>	<u>503,502</u>	<u>418</u>
Judicial			
Circuit Court			
Salaries - general	614,834	610,429	4,405
Operating expenditures	377,288	331,357	45,931
Capital outlay	13,394	5,616	7,778
Total Circuit Court	<u>1,005,516</u>	<u>947,402</u>	<u>58,114</u>
Orphans' Court			
Salaries - general	23,880	23,283	597
Operating expenditures	11,186	2,456	8,730
Total Orphans' Court	<u>35,066</u>	<u>25,739</u>	<u>9,327</u>
State's Attorney			
Salaries - elected office	114,527	114,527	-
Salaries - general	1,557,944	1,556,282	1,662
Operating expenditures	144,656	128,508	16,148
Capital outlay	11,741	11,615	126
Total State's Attorney	<u>1,828,868</u>	<u>1,810,932</u>	<u>17,936</u>
Total judicial	<u>2,869,450</u>	<u>2,784,073</u>	<u>85,377</u>
Elections			
Salaries - general	436,081	434,483	1,598
Operating expenditures	331,806	294,840	36,966
Capital outlay	150,913	132,413	18,500
Total elections	<u>918,800</u>	<u>861,736</u>	<u>57,064</u>
Management information systems			
Salaries - general	334,897	319,815	15,082
Operating expenditures	221,706	192,759	28,947
Capital outlay	51,551	17,443	34,108
Total management information systems	<u>608,154</u>	<u>530,017</u>	<u>78,137</u>
Purchasing			
Salaries - general	97,920	97,920	-
Operating expenditures	31,350	31,304	46
Total purchasing	<u>129,270</u>	<u>129,224</u>	<u>46</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (continued)			
Financial administration			
Finance			
Salaries - general	671,696	671,449	247
Operating expenditures	229,214	227,003	2,211
Capital outlay	2,500	2,338	162
Total finance	<u>903,410</u>	<u>900,790</u>	<u>2,620</u>
Public accountant			
Auditors' services	79,620	73,500	6,120
Total financial administration	<u>983,030</u>	<u>974,290</u>	<u>8,740</u>
Human resources			
Salaries - general	289,471	287,885	1,586
Operating expenditures	149,869	108,543	41,326
Total human resources	<u>439,340</u>	<u>396,428</u>	<u>42,912</u>
Legal			
Salaries - general	242,215	242,215	-
Operating expenditures	63,058	57,448	5,610
Total legal	<u>305,273</u>	<u>299,663</u>	<u>5,610</u>
Community promotion			
Community access channel	66,096	66,096	-
Economic development	125,933	125,933	-
Operating expenditures	35,500	33,408	2,092
Total community promotion	<u>227,529</u>	<u>225,437</u>	<u>2,092</u>
Planning and zoning			
Salaries	981,106	979,475	1,631
Operating expenditures	183,175	115,892	67,283
Capital outlay	52,722	48,836	3,886
Total planning and zoning	<u>1,217,003</u>	<u>1,144,203</u>	<u>72,800</u>
General services			
Salaries	190,744	189,673	1,071
Operating expenditures	687,805	619,654	68,151
Capital outlay	5,593	4,820	773
Total general services	<u>884,142</u>	<u>814,147</u>	<u>69,995</u>
Total general government	<u>9,469,920</u>	<u>9,012,390</u>	<u>457,530</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety			
Sheriff's Department			
Salary - Sheriff	85,000	87,833	(2,833)
Salaries - general	6,699,776	6,446,231	253,545
Operating expenditures	712,759	698,742	14,017
Capital outlay	394,308	386,066	8,242
Total Sheriff's Department	<u>7,891,843</u>	<u>7,618,872</u>	<u>272,971</u>
Emergency Services			
Salaries - general	1,008,520	996,352	12,168
Operating expenditures	493,451	464,948	28,503
Capital outlay	18,742	18,742	-
Total Emergency Services	<u>1,520,713</u>	<u>1,480,042</u>	<u>40,671</u>
Fire Department			
City of Salisbury contributions			
Ambulance	456,000	456,000	-
Fire Department	125,000	125,000	-
Volunteer Ambulance	1,672,000	1,672,000	-
Volunteer Ambulance - insurance	82,500	74,877	7,623
Volunteer Fire Companies			
Workers' compensation insurance	83,049	83,048	1
LOSAP committee	79,371	86,499	(7,128)
Grants	1,406,000	1,406,000	-
Sinking fund	350,000	350,000	-
Hepatitis vaccine	5,000	-	5,000
Respiratory protection	38,936	19,175	19,761
Total Fire Department	<u>4,297,856</u>	<u>4,272,599</u>	<u>25,257</u>
Liquor License Board			
Salaries - board members and attorneys	33,835	33,785	50
Salaries - general	104,725	104,726	(1)
Operating expenditures	34,768	31,808	2,960
Total Liquor License Board	<u>173,328</u>	<u>170,319</u>	<u>3,009</u>
Protection of Animals			
Contractual services - Humane Society	240,038	240,038	-
Total public safety	<u>14,123,778</u>	<u>13,781,870</u>	<u>341,908</u>
Detention Center			
Salaries - general	7,149,470	6,911,845	237,625
Medical	2,241,213	2,190,643	50,570
Contracted food services	684,539	682,684	1,855
Operating expenditures	1,037,682	904,572	133,110
Capital outlay	40,643	40,642	1
Total Detention Center	<u>11,153,547</u>	<u>10,730,386</u>	<u>423,161</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Weed control			
Salaries - general	1,800	-	1,800
Operating expenditures	400	32	368
Total weed control	<u>2,200</u>	<u>32</u>	<u>2,168</u>
Sanitation, water, and sewer			
Fruitland water and sewer	<u>105,304</u>	<u>105,304</u>	<u>-</u>
Tri-County Council/Shore Transit			
Grants - operating	192,600	192,600	-
Grants - capital outlay	52,345	52,345	-
Grants - County match	60,398	60,398	-
Grants - legislative	10,000	10,000	-
Total Tri-County Council/Shore Transit	<u>315,343</u>	<u>315,343</u>	<u>-</u>
Total public works	<u>422,847</u>	<u>420,679</u>	<u>2,168</u>
Health and welfare			
Public health			
Salaries - general	124,531	124,530	1
Operating expenditures	2,906,741	2,906,513	228
Capital outlay	30,000	27,221	2,779
Total public health	<u>3,061,272</u>	<u>3,058,264</u>	<u>3,008</u>
Mosquito control			
Salaries - general	106,955	98,318	8,637
Operating expenditures	45,645	35,681	9,964
Total mosquito control	<u>152,600</u>	<u>133,999</u>	<u>18,601</u>
Gypsy Moth control			
Operating expenditures	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total health and welfare	<u>3,215,372</u>	<u>3,193,763</u>	<u>21,609</u>
Social services			
Teen Adult Center	61,363	61,363	-
Maintenance of Aged in Community	166,375	166,375	-
Commission on Aging	250	250	-
Life Crisis Center - grant	13,500	13,500	-
Total social services	<u>241,488</u>	<u>241,488</u>	<u>-</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	39,173,593	39,173,593	-
Wicomico County Free Library	1,052,569	1,052,569	-
Community College - grant	3,120,880	3,120,880	-
Extension Service	83,210	82,073	1,137
Total education	<u>43,430,252</u>	<u>43,429,115</u>	<u>1,137</u>
Culture and recreation			
Salaries - general	1,226,966	1,193,027	33,939
Operating expenditures	446,152	422,465	23,687
Capital outlay	7,000	5,404	1,596
Total culture and recreation	<u>1,680,118</u>	<u>1,620,896</u>	<u>59,222</u>
Miscellaneous			
Social security	1,701,256	1,636,950	64,306
Grants and mandates	788,809	776,616	12,193
Funded retirement plan	1,563,955	1,526,688	37,267
OPEB	1,428,050	1,454,748	(26,698)
Provision for compensated absences	-	15,812	(15,812)
Hospitalization, disability and life	5,046,611	4,732,877	313,734
Unemployment compensation	130,864	13,852	117,012
Workers' compensation	744,823	608,139	136,684
Liability and arbitrage insurance	800,000	648,512	151,488
Auto sinking fund	(38,284)	-	(38,284)
Total miscellaneous	<u>12,166,084</u>	<u>11,414,194</u>	<u>751,890</u>
Debt service			
Principal - County	2,183,801	1,979,802	203,999
Principal - Board of Education	7,826,159	7,220,157	606,002
Interest - County	642,492	512,910	129,582
Interest - Board of Education	3,408,601	3,001,582	407,019
Agent fees	40,000	39,075	925
Total debt service	<u>14,101,053</u>	<u>12,753,526</u>	<u>1,347,527</u>
Total expenditures	<u>\$ 110,004,459</u>	<u>\$ 106,598,307</u>	<u>\$ 3,406,152</u>

WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Transfers in			
Wicomico County Civic Center	73,000	73,000	-
Wicomico County Recreation Fund	358,510	342,704	(15,806)
Wicomico County Convention & Visitors Bureau	84,800	84,800	-
Total transfers in	<u>516,310</u>	<u>500,504</u>	<u>(15,806)</u>
Transfers out			
Wicomico County Grants	(108,910)	(108,910)	-
Wicomico County Roads	(4,557,267)	(4,557,267)	-
Wicomico County Recreation Fund	(9,800)	(9,800)	-
Wicomico County Civic Center	(602,119)	(602,119)	-
Wicomico County Capital Projects	(1,638,776)	(1,638,776)	-
Total transfers out	<u>(6,916,872)</u>	<u>(6,916,872)</u>	<u>-</u>
Appropriations of fund equity			
Fund balance reappropriated	2,671,240	-	(2,671,240)
Supplemental fund equity appropriations	514,112	-	(514,112)
Total appropriations of fund equity	<u>3,185,352</u>	<u>-</u>	<u>(3,185,352)</u>
Other uses			
Contingency	(525,348)	-	525,348
Total other uses	<u>(525,348)</u>	<u>-</u>	<u>525,348</u>
 Total other financing uses	 <u>\$ (3,740,558)</u>	 <u>\$ (6,416,368)</u>	 <u>\$ (2,675,810)</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2013**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2013	\$ 0.840	\$ 2.101	\$ 0.392	\$ 6,849,325,529	\$ 60,740,284	\$ 60,266,937
2012	0.759	1.923	0.392	7,019,044,486	58,772,350	\$ 58,259,815
2011	0.759	1.898	0.392	7,570,127,719	62,308,718	61,818,028
2010	0.759	1.898	0.392	7,732,061,329	63,313,645	61,659,738
2009	0.814	2.035	0.392	7,128,269,617	63,510,155	62,915,011

Notes:

¹ Includes six month basis expressed as a full year equivalent.

² Prior years tax levy and collections have been adjusted for their applicable year's additions, abatements and refunds, but not for any additions, abatements or refunds that occur subsequent to that year.

³ Collections are net of refunds.

<u>Percent of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections³</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent County Taxes</u>	<u>Outstanding Delinquent County Taxes as a Percent of Current Levy</u>
99.22%	\$ 585,766	\$ 60,852,703	100.19%	\$ 1,461,908	2.41%
99.13%	471,077	58,730,892	99.93%	1,573,130	2.68%
99.21%	1,589,755	63,407,783	101.76%	1,794,119	2.88%
97.39%	508,971	62,168,709	98.19%	2,769,556	4.37%
99.06%	280,940	63,195,951	99.51%	1,742,696	2.74%

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2013

	Interest Rate
Governmental activities:	
General obligation bonds:	
Public Improvement Bonds of 2002	4.0 - 5.0
Public Improvement Bonds of 2002 "2 nd "	3.62
Public Improvement Bonds of 2003 "1 st "	3.98
Public Improvement Bonds of 2003 "2 nd "	2.0 - 3.85
Public Improvement Bonds of 2004 "1 st "	3.25
Consolidated Public Improvement Bonds of 2004 "1 st "	2.5 - 3.5
General Obligation Bond 2004 Series	4.98
Public Improvement Bonds of 2005 "1 st "	3.9
Public Improvement Bonds of 2005 "2 nd "	4.0 - 4.125
Public Improvement Bonds of 2006	4.00
Public Improvement Bonds of 2007	3.5 - 5.0
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Refunding Bonds of 2009, Second Issue (Tax-Exempt	2.5 - 4.0
Public Improvement Bonds of 2009 (Taxable Build America Bonds - Direct Paymen	1.0 - 6.125
Consolidated Public Improvement and Refunding Bonds of 201	2.0 - 4.0
Public Improvement Bonds of 2012 Refundin	2.0 - 4.0
Less: deferred amounts, refundin	
Add: issuance premium:	
Total general obligation bonds:	
Capital lease obligations	
*Energy efficient upgrade:	3.4
 Total Governmental activity long-term liability	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>June 30, 2013 Balance</u>
December 1, 2003	December 1, 2018	3,800,000	260,000
February 11, 2004	February 1, 2019	4,450,000	313,884
September 1, 2004	September 1, 2016	5,000,000	830,000
December 28, 2004	January 1, 2017	500,000	199,931
April 12, 2005	September 12, 2020	3,058,000	423,987
November 15, 2005	November 1, 2020	8,525,000	1,735,000
October 1, 2006	October 1, 2021	11,225,000	3,000,000
December 1, 2007	December 1, 2022	16,675,000	12,115,000
December 1, 2008	December 1, 2033	20,170,000	16,930,000
June 15, 2009	December 1, 2019	19,939,068	5,013,332
December 16, 2009	February 1, 2021	3,780,000	3,055,000
December 16, 2009	December 1, 2034	16,465,000	15,040,000
December 1, 2010	February 1, 2026	6,795,000	6,705,000
October 17, 2012	June 30, 1933	28,168,179	28,168,179
		(2,450,243)	(2,015,616)
		3,355,108	2,997,662
		<u>149,455,112</u>	<u>94,771,359</u>
May 30, 2012	January 5, 2025	<u>4,059,985</u>	<u>4,059,985</u>
		<u>\$ 153,515,097</u>	<u>\$ 98,831,344</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2013
(Continued)

	Interest Rate
Business-type activities	
General obligation bonds	
Public Improvement Bonds of 2005 "1 st "	3.9
Refunding Bonds of 2009	2.5 - 3.5
Public Improvement Bonds of 2012 Refunding	2.0 - 4.0
Less: deferred amounts, refunding	
Add: issuance premiums	
Total General obligation bonds	
Loan payable	
Maryland DBED Loan	3.0
Total Loan payable	
Capital lease obligations	
*Suntrust Amphibious Excavator and Dump Truck	4.15
*Suntrust Lease	2.53
Total Capital lease obligations	
Total Business-type activity long-term liabilities, primary government	
Total debt, primary government	
* Debt not subject to limitation	
Debt subject to limitation	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>June 30, 2013 Balance</u>
April 12, 2005	March 1, 2020	\$ 440,000	\$ 61,013
June 15, 2009	December 1, 2019	1,000,932	251,668
October 17, 2012	June 30, 2033	166,821	166,821
		(32,697)	(21,194)
		35,433	26,077
		1,610,489	484,385
June 17, 2013	December 31, 2017	500,000	426,448
		500,000	426,448
December 30, 2008	December 30, 2013	678,043	74,181
October 16, 2010	October 15, 2015	1,126,530	543,220
		1,804,573	617,401
		3,915,062	1,528,234
		157,430,159	100,359,578
		(5,864,558)	(4,677,386)
		\$ 151,565,601	\$ 95,682,192

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2013
(Continued)

The annual debt service requirements (principal and interest) of the Primary Government for general obligation bonds, state loans, and other loans are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	State Loans	Total Debt Service on Debt Subject to Limitation
2014	\$ 12,123,195	\$ 92,539	\$ 12,215,734
2015	11,934,960	95,524	12,030,484
2016	10,912,846	92,966	11,005,812
2017	10,810,190	90,407	10,900,597
2018	10,227,885	87,848	10,315,733
2019	9,418,966	-	9,418,966
2020	8,591,741	-	8,591,741
2021	7,673,603	-	7,673,603
2022	6,475,092	-	6,475,092
2023	5,111,372	-	5,111,372
2024	3,579,802	-	3,579,802
2025	3,525,029	-	3,525,029
2026	3,465,233	-	3,465,233
2027	3,170,680	-	3,170,680
2028	3,116,107	-	3,116,107
2029	3,060,180	-	3,060,180
2030	2,997,895	-	2,997,895
2031	2,942,500	-	2,942,500
2032	2,883,852	-	2,883,852
2033	2,817,026	-	2,817,026
2034	1,866,784	-	1,866,784
2035	1,015,165	-	1,015,165
Total	127,720,103	459,284	128,179,387
Less interest	33,451,288	32,836	33,484,124
Outstanding principal	\$ 94,268,815	\$ 426,448	\$ 94,695,263

WICOMICO COUNTY, MARYLAND

**BALANCE SHEET
LOCAL MANAGEMENT BOARD**

**JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash allocation from general fund	\$ 146,514	\$ 212,649
Grants receivable	<u>77,099</u>	<u>66,531</u>
Total assets	<u>\$ 223,613</u>	<u>\$ 279,180</u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 166,663	\$ 194,837
Deferred revenue	29,324	16,384
Accrued payroll and taxes	7,946	10,614
Accrued compensated absences	<u>5,217</u>	<u>4,851</u>
Total liabilities	<u>209,150</u>	<u>226,686</u>
Fund balances		
Unassigned	<u>14,463</u>	<u>52,494</u>
Total fund balances, as restated	<u>14,463</u>	<u>52,494</u>
Total liabilities and fund balance	<u>\$ 223,613</u>	<u>\$ 279,180</u>

WICOMICO COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENDITURES
LOCAL MANAGEMENT BOARD**

**YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	<u>2013</u>	<u>2012</u>
Revenues		
Subcabinet fund	\$ 712,213	\$ 748,693
Federal grants	3,324	-
Other state grants	293,344	293,007
Total revenues	<u>1,008,881</u>	<u>1,041,700</u>
Expenditures		
Subcabinet Fund		
Administrative expenditures	65,001	65,001
Administrative expenditures- County portion	57,571	36,918
Family Empowerment Initiative- Parenting	120,131	119,929
Local Access Training	114,963	113,205
After School	229,839	271,342
Earned reinvestment programs	39,406	48,984
Truancy Prevention Elementary Pilot	182,450	178,533
Total subcabinet fund	<u>809,361</u>	<u>833,912</u>
Federal grants	3,324	
Other state grant	293,351	293,007
Salaries - general		(5,809)
Total expenditures	<u>1,106,036</u>	<u>1,121,110</u>
Deficiency of revenues over expenditures	<u>(97,155)</u>	<u>(79,410)</u>
Other financing sources		
Interest income	110	1,846
Interfund transfer	58,762	41,753
Miscellaneous income	252	218
Total other financing sources	<u>59,124</u>	<u>43,817</u>
Deficiency of revenues and other financing sources over expenditures	<u>(38,031)</u>	<u>(35,593)</u>
Beginning fund balance, as restated	<u>52,494</u>	<u>88,087</u>
Ending fund balance, as restated	<u>\$ 14,463</u>	<u>\$ 52,494</u>