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March 2, 2018

## **Internal Auditor's Consultation Report**

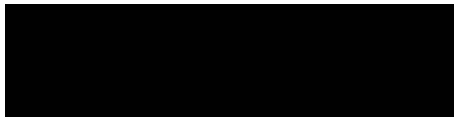
The County Council and County Executive of Wicomico County, Maryland:

In FY 2015, the Office of the Internal Auditor (IA) conducted a study of selected Wicomico County enterprise funds (report dated May 12, 2015). The Wicomico County Council requested a review of the financial statements and analysis for the following:

- Wicomico Regional Airport
- Wicomico County Solid Waste
- Wicomico County Nursing Home

We updated the graphical analysis to reflect the financial data through FY 2017 and provide some comment. Additionally, we added the Wicomico Civic Center to our analysis. Additional information is available upon request.

Respectfully submitted,



J. Stephen Roser, CPA  
Internal Auditor

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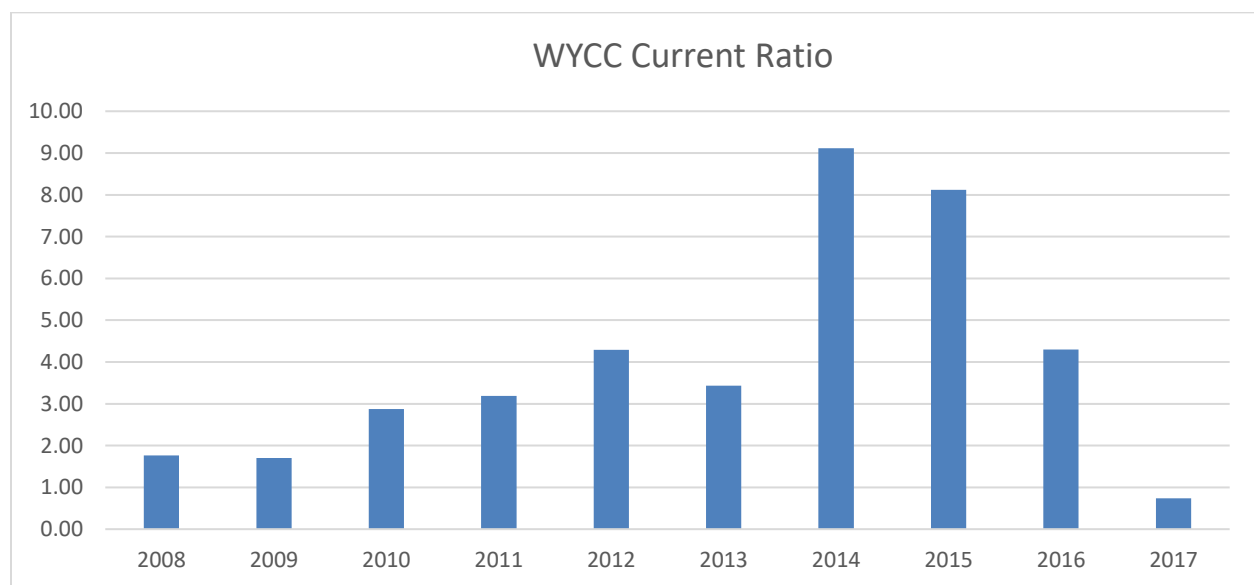
## Consultation Report Follow-up

### Financial Measurement and Trends

#### Current Ratio

Current ratio gives us some idea of the enterprise's ability to pay short-term liabilities with short-term assets and is expressed as a ratio of short-term assets to short-term liabilities. It is an important indication of short-term financial health. It also gives us a sense of the efficiency of the enterprise's operating cycle.

With the exception of the Civic Center, all enterprises continue to show a high current ratio indicating they have the means to pay short-term obligations. The Current ratio for the Civic Center was less than one:



We see a negative trend in the Civic Center current ratio since FY 2014.

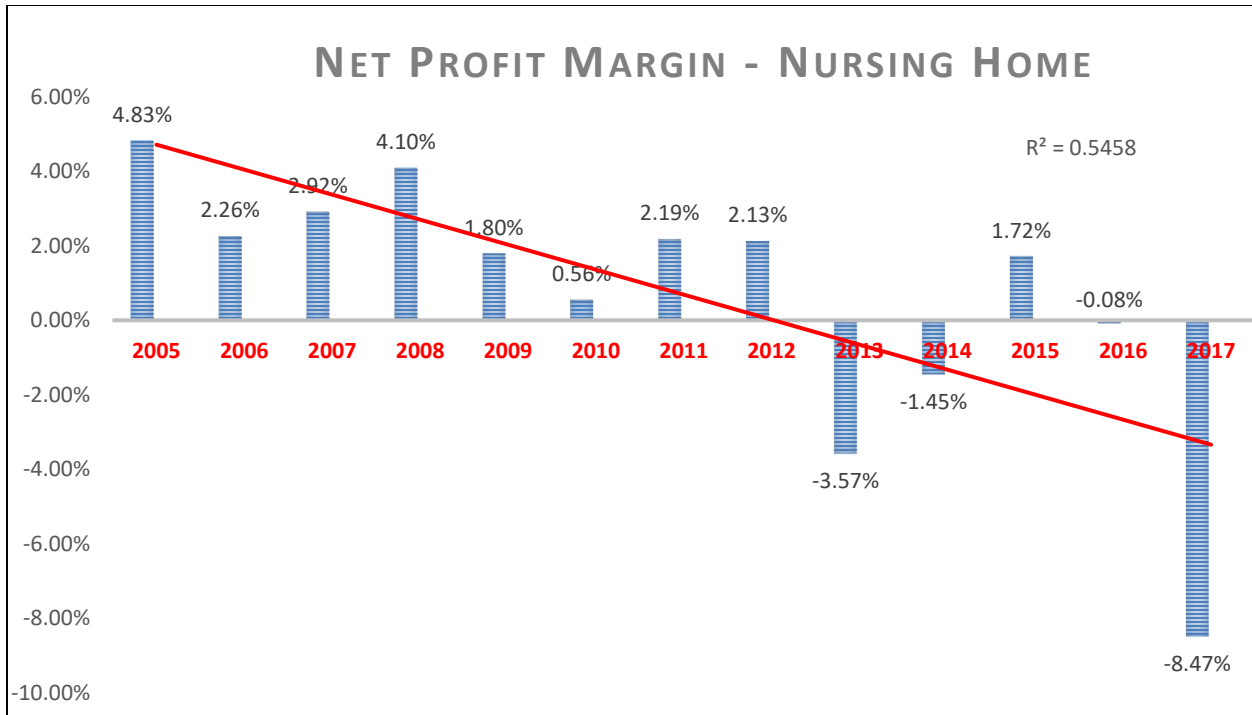
#### Income Statement Analysis<sup>1</sup>

##### Net Profit Margin

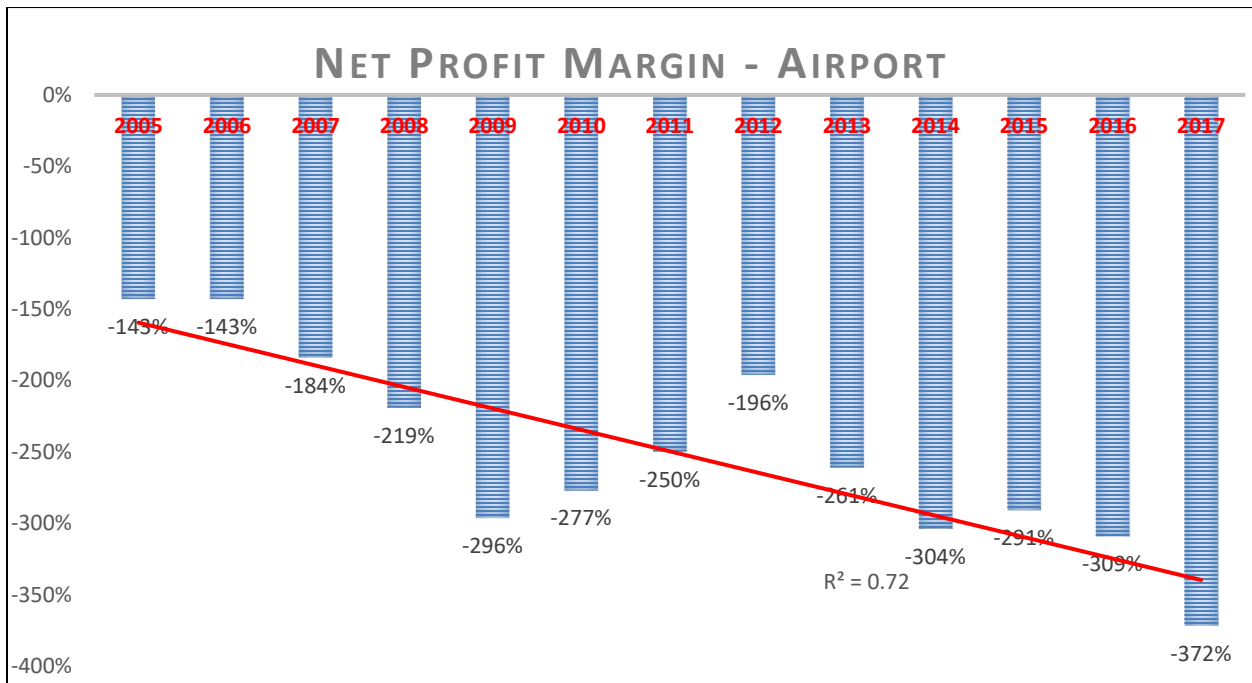
Net Profit margin for all four enterprises breakout as follows:

*(Continued)*

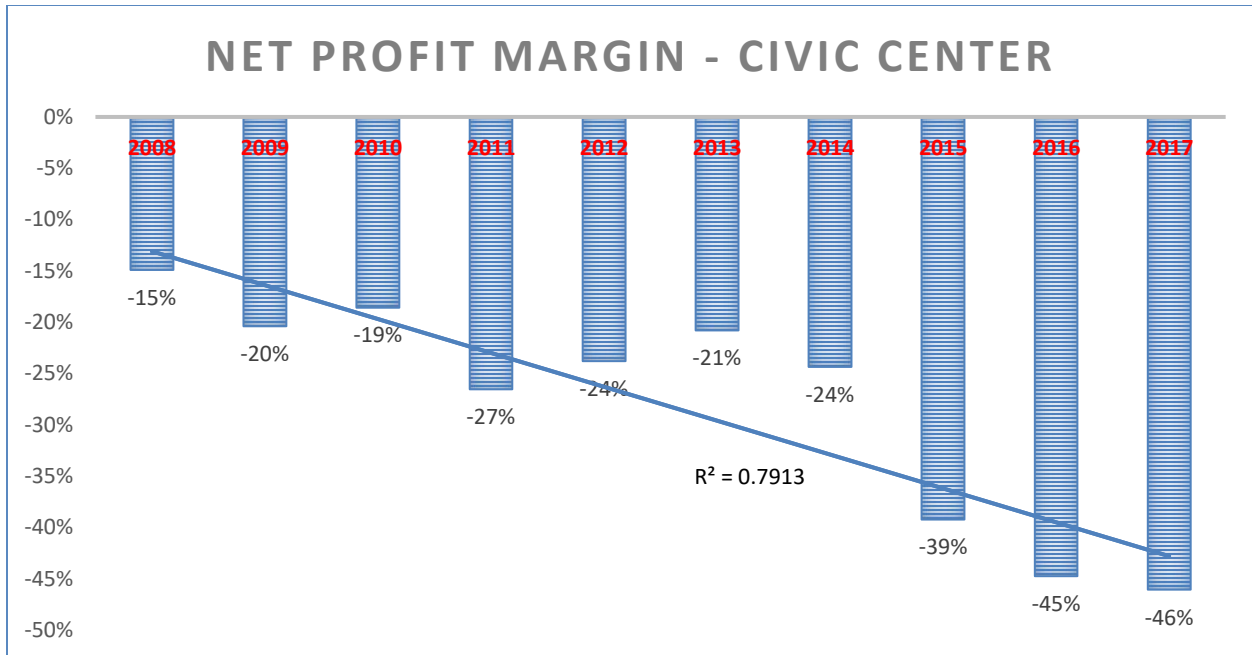
<sup>1</sup> This is an analysis of Statements of Revenues, Expenses, and Changes in Net Position (Income Statement Equivalent)



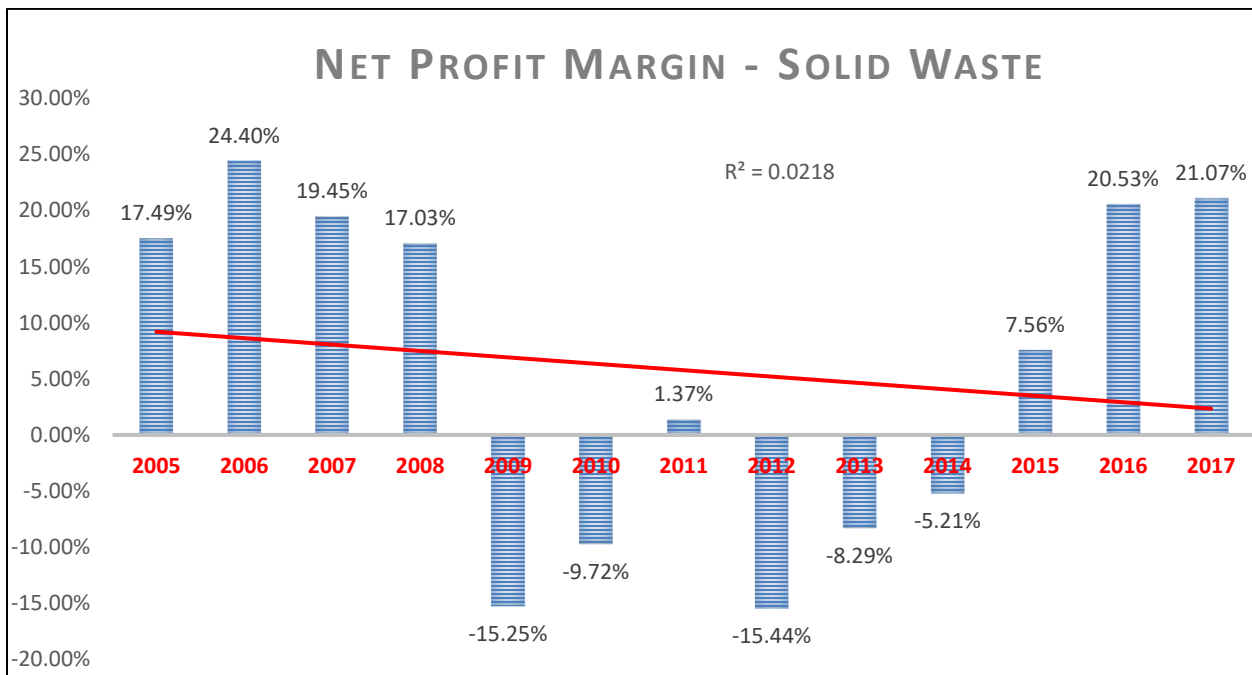
According to Nursing Home management, write-offs of old bad debt (primarily related to Medicaid) were the source of the large decline for FY 2017.



The Airport continues to show decline. New Airport management is confident that efforts to improve and fundamentally change airport operations will show positive results.



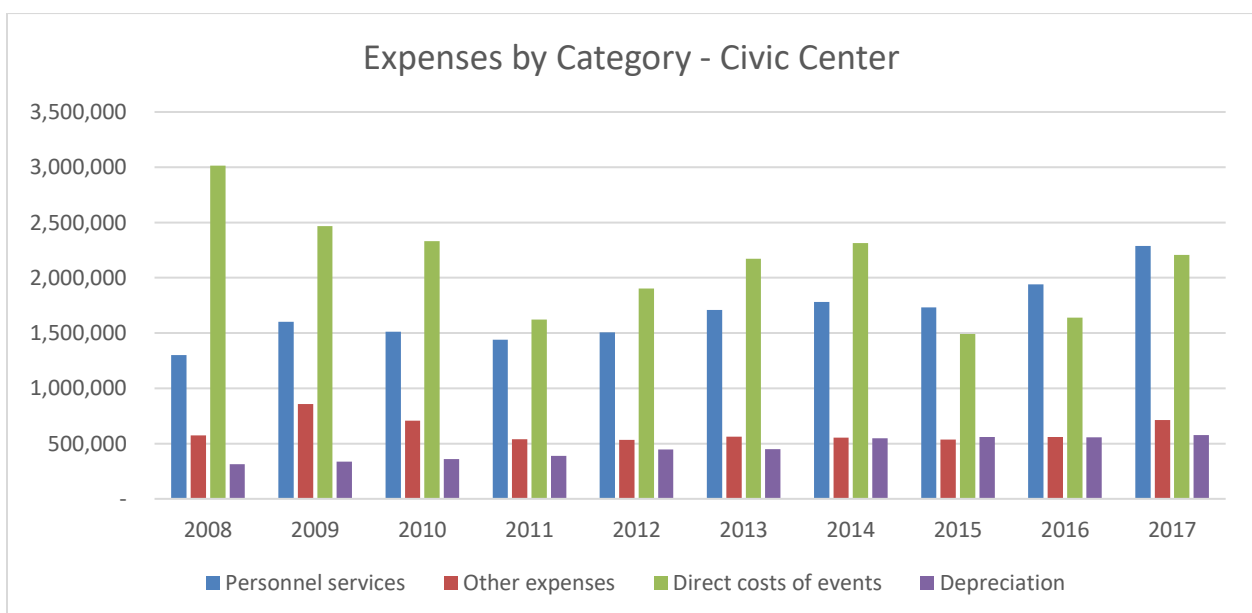
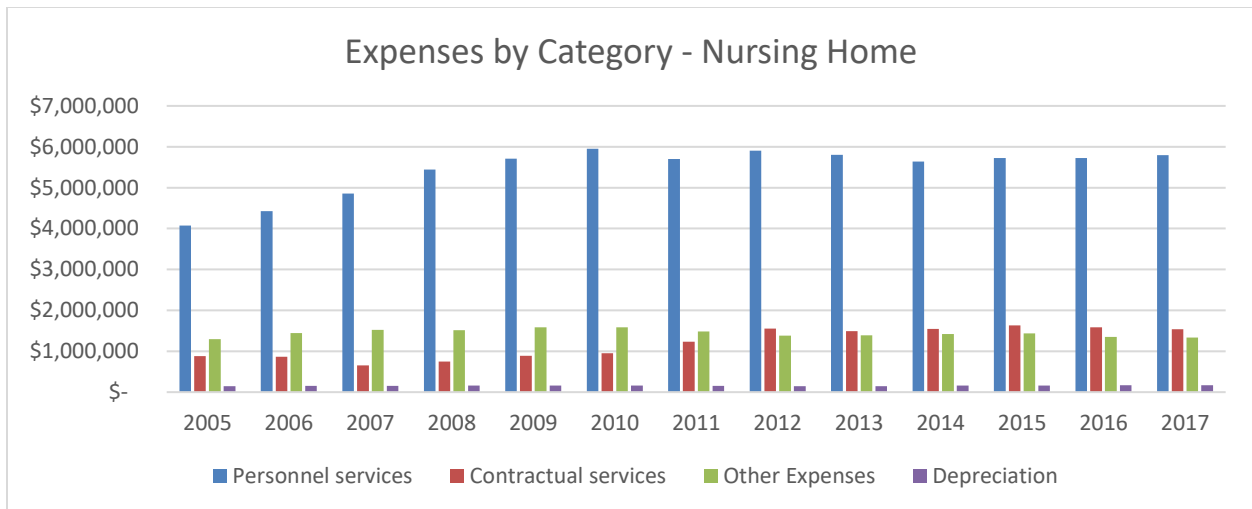
The Wicomico Civic Center trended negative throughout the period showing a steep decline.

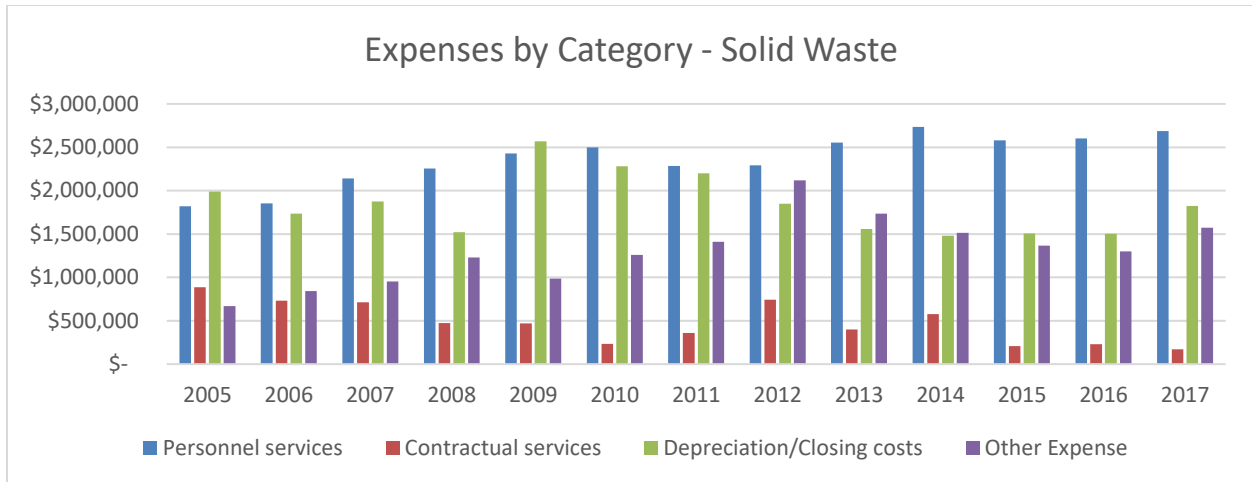


Only Solid Waste continues in positive territory.

**Expenses by Category**

Actual expenses by selected categories breakout are as follows:



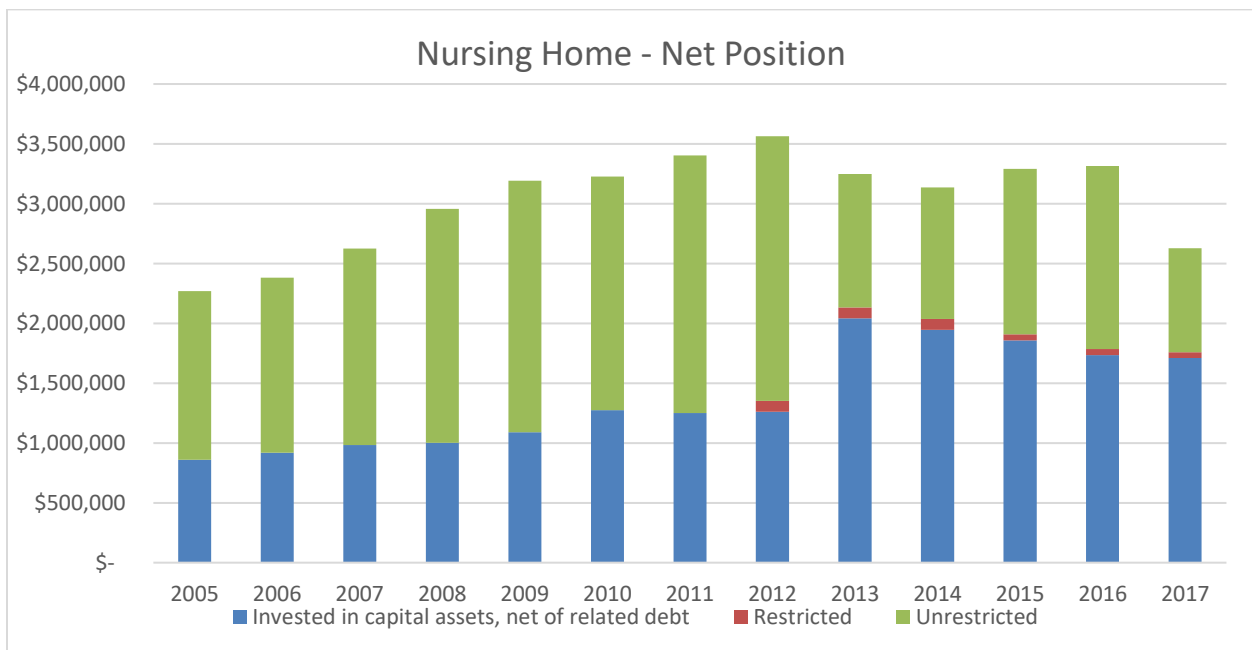


Personnel services continue to represent the largest expense for the Nursing Home, the Civic Center, and Solid Waste. Depreciation figures prominently for the Airport and the Landfill due primarily to a large amount of equipment and infrastructure used for revenue generation. Additionally, the Civic Center incurs direct costs related to events.

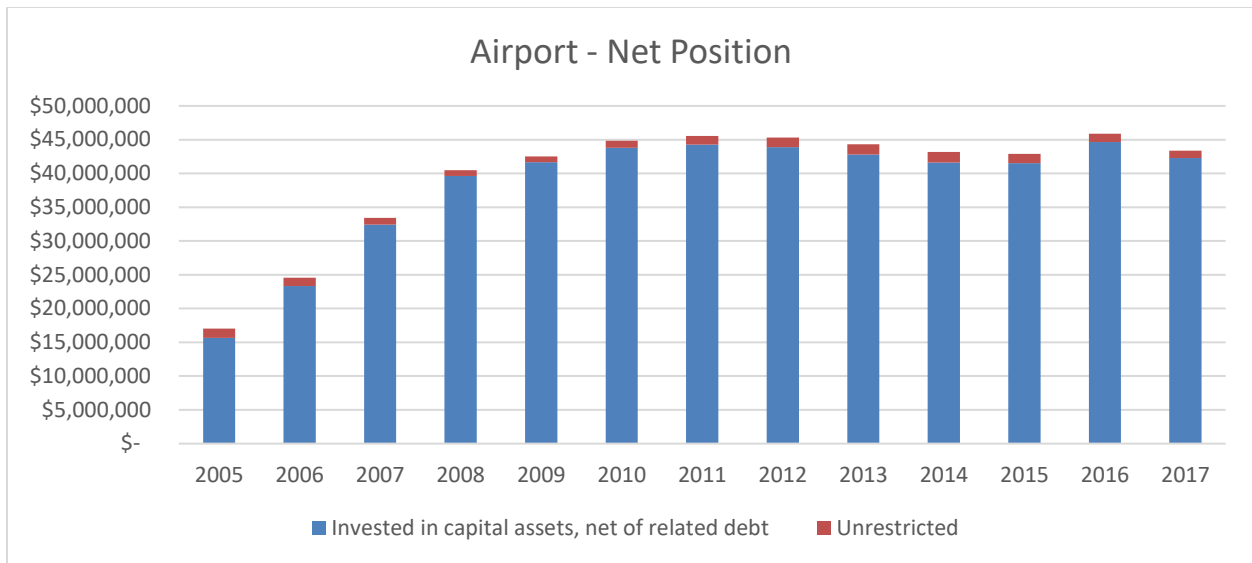
### Balance Sheet Analysis

#### Net Position

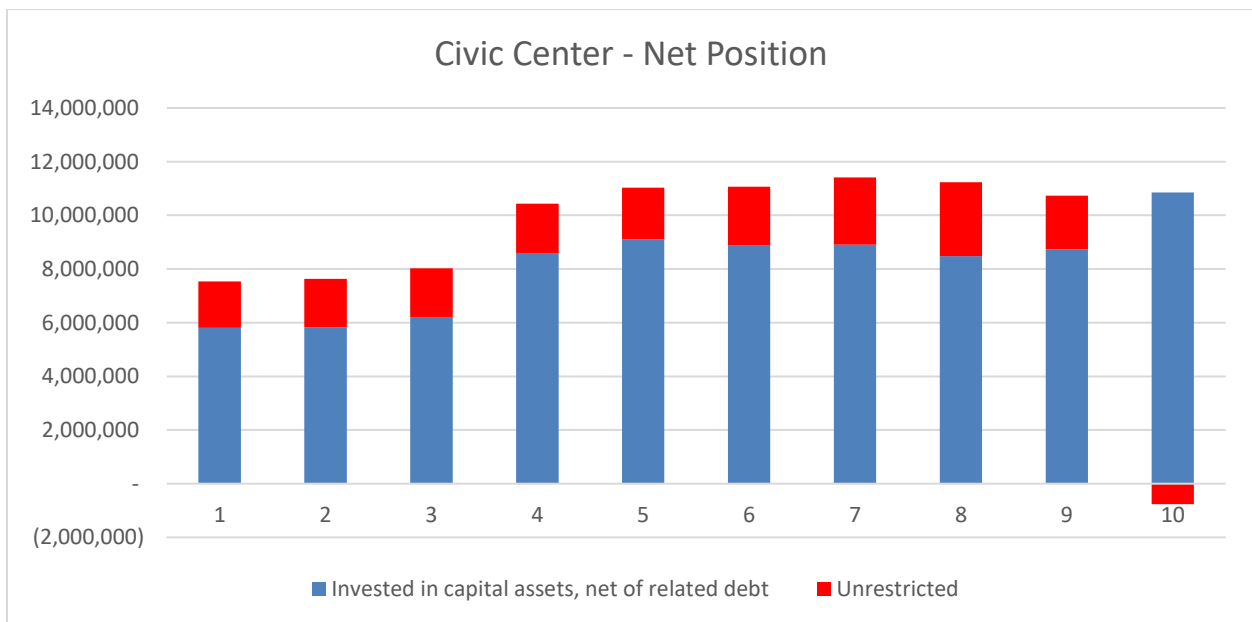
Net position as stated on government financial statements is similar to stockholders' equity on business financial statements. That is, net position is comparable to net worth for our purposes. Breakout of net position for the period divided into components is as follows:



The FY 2017 decline in net position for the Nursing Home is due primarily to write-offs.

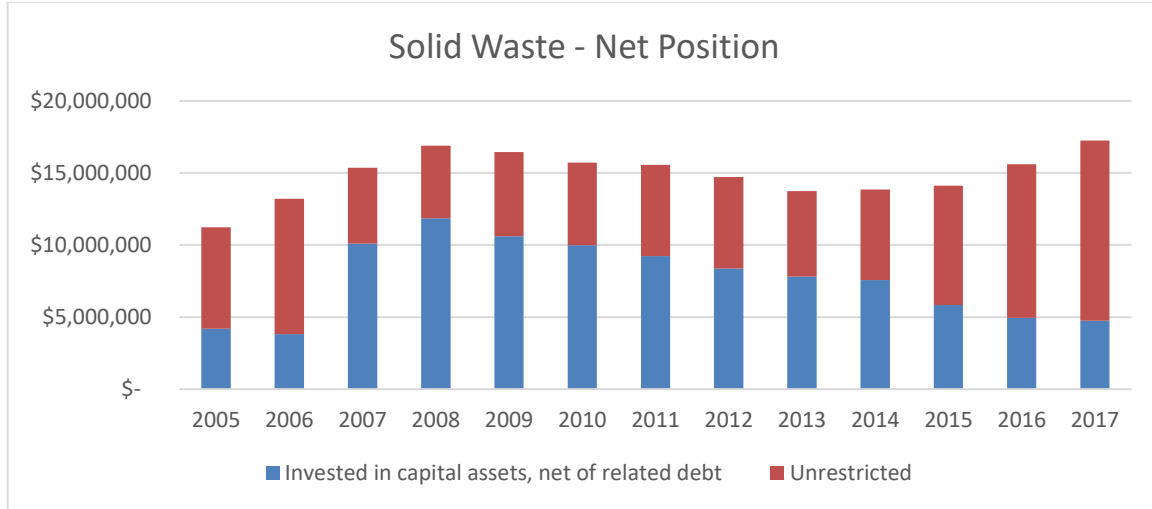


The Airport is heavily invested in capital assets, as depreciation expense would indicate. The Airport showed a slight decrease net position for FY 2017.



The Civic center has a negative balance in unrestricted net assets. According to Finance, this was caused by a balance sheet entry regarding fixed assets and capital expenditures related to grant funding for improvements. The internal auditors will continue to monitor and evaluate this issue.





Solid Waste continues to show an upward trend in net position.

Please contact the Office of the Internal Auditor if you have any questions or need additional information.