

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2009

WICOMICO COUNTY, MARYLAND

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WICOMICO COUNTY, MARYLAND

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INDEPENDENT AUDITORS' REPORT

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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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wicomico County, Maryland's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represents 6.4% and 30.4%, respectively of the assets and revenues of business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 98.7% and 98.4%, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued a report dated December 30, 2009, on our consideration of Wicomico County, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedule of pension plan funding progress on pages 9-15 and 87-91 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The supplementary schedules on pages 92-108 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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CERTIFIED PUBLIC ACCOUNTANTS

December 30, 2009



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

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We have audited 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the

deficiencies described in 09-01 through 09-08 on pages 5-8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 to be a material weakness.

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 these 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 also noted certain other matters that we reported to management of the County in a separate letter dated December 30, 2009.

This report is intended solely for the information and use of the members of the County Council of Wicomico County, management, and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

December 30, 2009

INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE - MATERIAL
WEAKNESSES AND SIGNIFICANT DEFICIENCIES

09-01 Year End Closing Schedule – This is a repeat finding from 2008.

Condition: The year-end closing process was delayed because some important procedures were not performed in a timely or correct manner under the oversight of the Chief Accountant. The general ledger, along with some corresponding closing and adjusting entries, and several schedules, reconciliations, account analyses, and other financial information were not completed until November or December of the current fiscal year. In addition, several reconciliations that were completed were not accurate.

Criteria: Timely and properly prepared general ledger, closing and adjusting entries, schedules, reconciliations and account analyses serve to ensure that accurate and timely information is reported.

Effect: Lack of timely and accurate information not only at year end, but all through the fiscal year, could lead to inaccurate decisions by management and could lead to a material misstatement of the financial statements at year end.

Recommendation: To make the year-end closing more efficient and effective, we recommend the Finance Director assume the responsibility for monitoring and adhering to a closing schedule, which would indicate who will perform each procedure and when completion of each procedure is due to be accomplished. We recommend that the year-end be closed no later than September 15th.

Response: We agree in principle. We did monitor the closing schedule this year with weekly Audit Team meetings, but the implementation of a new financial management system and the extra work it caused during this implementation year resulted in a delay. One of the written goals of the Chief Accountant next year is to close the year by September 15th, and we believe that will be achievable next year and going forward. A much more lengthy and detailed planning memo will be produced next year so that each team member will know exactly what their responsibilities are, and one team member be assigned to check off completed tasks and act as a central repository for the data.

09-02 State's Attorney's Checking Account

Condition: During the year ended June 30, 2008, the State's Attorney's department opened a checking account. For the past two years, this account has been combined with petty cash in the general ledger, two signatures are not needed for checks, the bank account was not reconciled, bank statements were not kept, and the check sequence was not consistent.

Criteria: Internal controls over checking accounts ensure that cash is not misappropriated, and the County requires that all checking accounts opened in the County's name abide by County rules.

Effect: The conditions as stated above are indicative of a lack of internal controls over the State's Attorney's checking account.

Recommendation: The State's Attorney's department should separate the checking account from petty cash on the general ledger, require two signatures for checks, require that the bank account be reconciled by someone not recording monthly transactions, keep all bank statements, and reconcile check numbers issued to check numbers used.

Response: We agree with the need for improved controls, and the Finance Department will work with the State's Attorney's office to implement the recommendations.

09-03 Separate Bank Accounts

Condition: Several bank accounts including the Jury Duty Bank Account maintained by the Circuit Court, the Work Release and Inmate Bank Accounts maintained by the Detention Center, the Sherriff Employee Fund, Special Investigations, and Sherriff Sales Bank Accounts maintained by the Sheriff's Department, and the Special Loans Programs Bank Account maintained by Planning and Zoning were not reconciled to the general ledger during the year ended June 30, 2009. These bank accounts are reconciled to the bank statements monthly. However, the reconciled balances are never reconciled to the general ledger.

Criteria: The bank accounts need to be reconciled to the general ledger in order to insure accurate reporting of financial information.

Effect: The bank accounts are not reconciled to the general ledger creating inaccurate reporting of financial information.

Recommendation: The reconciled bank statement should be sent to the Finance Department so that the general ledger account can be reconciled.

Response: We agree with the need for reconciliation to the general ledger. However, since these are all individual bank accounts that are not part of the County's operating account, the revenues and expenditures do not go through the County's financial system. To reconcile these bank accounts to the general ledger would require monthly recording of the revenues and expenditures that flow through these accounts into the general ledger. That leaves us with the cost/benefit analysis of entering individual transactions vs bulk transactions (i.e., add all revenues from a monthly period together, do the same with all expenditures) vs adjusting the balances once per year as is currently done. We believe that as long as the monthly reconciliations are being done on a timely basis by a person not in control of the bank accounts, and the reconciliations are sent to the Finance Department on a monthly basis to demonstrate that they are being done, the Finance Department can put the summary of transactions on spreadsheets and input them into the general ledger quarterly. While this is not an ideal solution, given the resources at both the departmental level as well as in the Finance Department, we believe this is a compromise sufficient to safeguard County assets.

09-04 Un-reconciled Payroll Liabilities

Condition: Several payroll liability accounts were not reconciled on a regular basis and were not reconciled by the time of audit fieldwork.

Criteria: These liabilities should be reconciled on a regular basis and by someone not involved with payroll in order to ensure accurate and timely information.

Effect: Un-reconciled liability accounts prevent timely and accurate information and also could result in misappropriation of assets.

Recommendation: We recommend that someone within the Finance Department be designated and, if required, to be trained in the HIPA requirements in order to obtain the necessary information needed in order to perform timely reconciliations of payroll liabilities.

Response: We agree with the necessity for reconciling payroll liabilities in a timely manner but believe that responsibility belongs in the Payroll Department with the Finance Office providing checks and balances. Payroll officially took this task over on 7/1/09, and a Finance staff person will continue to monitor the reconciliations done by Payroll.

09-05 Inventory – Roads

Condition: Inventory controls are not properly working in the Roads Division. Stone inventory per physical count at June 30, 2009 was \$47,000 or 2,600 tons less than perpetual inventory records. Upon reconstruction of the card inventory from date of fieldwork to June 30, 2009 and reviewing of stockpile, it was determined that the shortage or unaccounted for stone was real. We did not do any further test of sales of stone to determine if missing tonnage was accounted for but not recorded on the perpetual records. We also observed that the perpetual inventory for fuel was the same as the physical count.

Criteria: Inventory controls should accurately monitor the receipt and consumption of goods and provide an accurate record of goods.

Effect: The controls in place at the Roads Division are not working causing inventory to not be properly tracked.

Recommendation: We recommend that in the future physical to actual for stone inventory be tested monthly.

Response: Perpetual inventory records are adjusted when Gradall operators remove stone from the stockpile. However, the Crew Leaders do not typically record their use of stone for placement at mailboxes, potholes, shoulders, etc. since they use only partial loads. This use by Crew Leaders will now be documented as it accounts for a significant amount over the year and is expected to increase due to the elimination of the budget for hot mix overlay road maintenance.

The Solid Waste Division used approximately 1800 tons from the Roads Division stockpile for use at the dredge site and on the landfill in 2009. They did not replenish this amount before the year-end physical inventory as planned. This accounts for the majority of the difference between the physical count and perpetual inventory. In the future, the Roads Division will require that these types of loans go over the scale and the scale report will be maintained in a folder so that timely follow-up can be conducted. When replenished, the truck will also go over the scale to ensure the amount of stone replenished approximately equals the amount loaned. Copies of the documentation on any loans of stone not replenished by June 30th of each year will be sent to the Chief Accountant so that the Finance Division can record the loan as a receivable to Roads and a payable to the borrowing Division, and Roads can also adjust their inventory records accordingly. The receivable and payable will be reversed when the stone is replenished in the new year.

We agree that testing the physical inventory more than annually is necessary; however, Roads currently does not have the resources to test the physical inventory of stone on a monthly basis. As the discrepancies this year were known and have been explained, we believe that quarterly testing, coupled with the new controls as explained above, is sufficient at this time.

09-06 Purchase Orders and Direct Requests

Condition: Purchase orders are required for all purchases over \$1,000 prior to the purchase being made. Direct payment requests have been used without permission in place of the purchase order to bypass the required procurement procedure. Additionally, it was noted that at least one purchase order tested was dated after the invoice.

Criteria: Purchase orders should be for all purchases over \$1,000 before the item is acquired. By following purchase order procedures, budgetary constraints, vendor requirements, and bidding processes can be checked.

Effect: By not following the proper procurement procedures, unauthorized items could be purchased.

Recommendation: We recommend that purchase orders as required be prepared and approved before items are received or ordered.

Response: We agree in part. We agree that purchase orders are generally required for all purchases over \$1,000. However, before implementation we developed a list of exceptions where direct pays would be permitted. As we began operating under the new MUNIS capabilities, we determined there were some additional items that warranted the use of direct pay requests, such as clean liens related to taxable property. The Deputy Director of Finance made those determinations based on a number of factors, including but not limited to (1) are we paying a bill or making a

refund, (2) are the bills centralized but related to multiple departments, and (3) risk to the County of allowing a payment to go through on a direct pay vs a purchase order. We believe the purchase order/direct pay request issue is working correctly and efficiently and poses little risk to the County. Regarding the second issue, purchase-orders-after-the-fact, we agree that is usually a violation of the rules unless permission was obtained in advance, or an emergency existed. We will remind Department Heads that County policies require that a purchase order be entered into before goods and services are obtained, not after.

09-07 Purchase Cards – Splitting Transactions

Condition: Several departments have split transactions with vendors in order to stay below the \$1,000 purchase card limit and thereby bypass the purchase order procedures.

Criteria: Purchase cards are intended to speed up the purchase process and eliminate paper usage for transactions under \$1,000 dollars. The standard purchase card has a limit of \$1,000 dollars per transaction. This is a control put in by Wicomico County. The cards will not authorize transactions over \$1,000 dollars, without prior permission from the department head and would have to be cleared with Bank of America before the purchase. This control is in place to keep people from avoiding the \$1,000 purchase order requirement. There are authorized personnel that have purchase cards authorized for more than \$1,000 transactions. Each of these people has a list of approved vendors that the \$1,000 or more purchase can be made from. There, however, is no control on the cards that limits someone from “splitting” a transaction with the same vendor to avoid the \$1,000 limit.

Effect: By not following the proper procurement procedures, unauthorized items could be purchased.

Recommendation: We recommend that department heads monitor purchase card purchases for split transactions and that since controls that would prevent splitting transactions are probably unlikely, that a reprimand be forwarded to individual personnel files for improper use of the system.

Response: We agree. While the Bank of America purchase card system can and has been used to find suspicious transactions, it requires that management specifically look for these transactions. It offers tools such as grouping by vendor and grouping by date. As we have just completed one year on the purchase card system, a reminder to Department Heads on their responsibility to examine purchase card transactions for splitting is warranted.

09-08 Purchase Cards – Circuit Court

Condition: We found no evidence that the Circuit Court reconciled purchase card receipts to monthly reports for any month during the year.

Criteria: Every month, a proxy reconciler is supposed to make sure that the monthly list of purchase cards transactions for the Works System is reconciled to purchase card receipts and then signs off as having approved the purchases. The department head is then required to sign off having approved these transactions.

Effect: By not reconciling purchase card transactions, unauthorized items could be purchased.

Recommendation: We recommend that the Circuit Court reconcile all purchase card transactions to the monthly report. The department head should review and sign off on the reconciliation. In addition, a procedure should be in place that periodically test checks each department to assess that the proxy reconciliation is being performed.

Response: Agree in part. All purchase cards transactions are reviewed by the Court Administrator and checked each time a purchase is made, rather than monthly, which is a good and timely internal control. The Court Administrator verifies the account number and approves the invoices before she signs off. However, the monthly reconciliation process is designed to catch those receipts that may be overlooked if someone is making purchases on the card that they shouldn't and not turning in receipts. Without matching receipts to the monthly printout from the BOA Works system, a manager may not have timely information on whether people are charging things and NOT turning in receipts. Therefore, the Court Administrator will begin the monthly reconciliation process going forward.

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 ended June 30, 2009. Please read it in conjunction with the County's financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The County's government-wide results of operations show a decrease in net assets of the primary government of about \$22.3 million which is attributable primarily to two things. First, the County used fund balances in the General, Roads, and Capital Projects Funds. Second, long term debt for the Board of Education projects does not result in an increase in capital assets (see page 10).
- Within its main operating fund ("the general fund"), the County's results of operations shows expenditures, including transfers, in excess of new revenues of about \$7.2 million, primarily due to the use of budgeted carryforward. The County had projected to use about \$9.2 million of carryforward and used less than budgeted.
- General fund revenues decreased about \$6.5 million compared to last year, and general fund expenditures, including transfers, decreased about \$2.8 million compared to last year. The larger increases in expenditures were in the areas of debt, education, public safety, and health.
- The County's rainy day reserves remained the same – since the FY2009 budget was less than the FY2008 budget, there was no necessity to fund anything additional for the rainy day reserve in fiscal year 2009. Total reserves decreased about \$200 thousand due to expenditures for the MAC Senior Center
- The general fund total budget for fiscal year 2009 was about \$2.4 million less than last year, due primarily to decreases in service charges and the use of carryforward.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements, notes, and supplementary information. The Statement of Net Assets and the Statement of Activities (on pages 16 and 17) 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 18 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 provides 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 ASSETS 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 Assets and the Statement of Activities beginning on page 16 report 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 assets and changes in them. You can think of the County's net assets – 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 assets 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, 2009, the County carried about \$80.5 million in debt on its portion of the financial statements under primary government related to school assets that appear in the component units section under Board of Education.

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

- **Governmental 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 Assets as of June 30, 2009 and 2008:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	88.95	91.38	21.85	20.08	110.80	111.46
Capital assets	78.40	77.89	63.88	63.23	142.28	141.12
Total Assets	167.35	169.27	85.73	83.31	253.08	252.58
Current and other liabilities	29.06	18.76	3.47	3.17	32.53	21.93
Long-term liabilities	95.46	83.36	9.34	9.30	104.80	92.66
Total Liabilities	124.52	102.12	12.81	12.47	137.33	114.59
Invested in capital assets, net of related debt	8.76	23.36	59.90	59.01	68.66	82.37
Restricted net assets	25.47	30.23	0.31	0.31	25.78	30.54
Unrestricted net assets	8.60	13.56	12.71	11.53	21.31	25.09
Total Net Assets	42.83	67.15	72.92	70.85	115.75	138.00

The Statement of Net Assets for governmental activities for the fiscal year ending June 30, 2009 shows total net assets of \$42.8 million, with the unrestricted net assets amount of \$8.6 million. The County's business-type activities show \$12.7 million in unrestricted net assets.

The net assets of business-type activities generally are not used to make up for any deficit in governmental activities. Historically, the County only uses these net assets 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, 2009 and 2008:

	(In millions of dollars) ¹					
	Governmental Activities		Business-Type Activities		Component Units	
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for Services	9.65	10.14	20.54	21.42	4.34	3.24
Operating & Capital Grants	10.60	7.00	4.67	9.11	76.03	43.43
General Revenues						
Property Taxes	60.33	59.22				
Local Taxes	51.63	58.03	0.97	0.94		
Other (including transfers)	1.86	5.79	1.00	1.39	154.78	149.41
Total Revenues	134.07	140.18	27.18	32.86	235.15	196.08
Program Expenses						
Governmental Activities						
General Government	21.03	22.07				
Public Safety	29.42	27.85				
Public Works	13.98	11.76				
Health & Welfare	7.54	7.46				
Education	77.35	65.22				
Culture and Recreation	3.53	3.57				
Interest on Long-term debt	4.23	4.20				
Business-Type Activities						
Solid Waste			6.54	5.60		
Airport			3.70	3.25		
Nursing Home			8.38	7.94		
Youth & Civic Center			5.28	5.30		
Other			1.81	1.90		
Component Units						
Board of Education					191.17	184.40
Library (and Other)					2.90	2.91
Total Expenses	157.08	142.13	25.71	23.99	194.07	187.31
Excess Before Special Items and Transfers	(23.01)	(1.95)	1.47	8.87	41.08	8.77
Special Items		(.05)	0.02			
Transfers	(0.76)	(.51)	0.76	(.51)		
Change in Net Assets	(23.77)	(2.51)	2.25	9.38	41.08	8.77
Net Assets - Beginning of year ¹	66.60	69.66	70.67	61.47	159.44	150.67
Net Assets - End of year	42.83	67.15	72.92	70.85	200.52	159.44

¹ Net Assets – Beginning of year are restated as explained in the notes to the financial statements on page 84-86.

Table 2 shows that the County's total net assets decreased by about \$19.6 million. This decrease was primarily the result of the use of fund balances in the General, Roads, and Capital Projects Funds, and the exclusion of Board of Education capital assets funded by general fund debt.

Table 3

Net Cost of Governmental and Business-Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2009	2008	2009	2008	2009	2008
Governmental						
General government	4.49	3.05	21.03	22.07	16.54	19.02
Public safety	5.20	6.95	29.42	27.85	24.22	20.90
Public works	2.39	1.65	13.98	11.76	11.59	10.11
Education			77.35	65.22	77.35	65.22
Others	6.57	5.50	11.08	15.23	4.51	9.73
Business Type	25.21	30.53	25.71	23.99	0.50	(6.54)

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. The net revenue in the business activities was primarily due to capital expansion at the Airport.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS FUND FINANCIAL STATEMENTS

The County's fund financial statements begin on page 18 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 Assets 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 Assets 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 pages 18-21) report a combined fund balance of \$67.5 million.

The General Fund

For fiscal year 2009, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$129.5 million. The final budgetary appropriation, after adjusting for carryforward, Civic Center event and Tourism expenditures and transfers in, was about \$130.3 million. The County spent about \$123.3 million, a decrease over last year of about \$2.8 million. New revenues were less than budget and were about \$116.1 million, a decrease over last year of about \$6.5 million. This was partly caused by housing-related revenues performing under budget, income tax revenues less than expected, and the State's decision to discontinue per diem payments to the counties for housing State prisoners at the Detention Center. Expenditures were less than budget but exceeded revenues by about \$7.2 million, leading to a decrease in the general fund balance.

Roads

The Roads governmental fund showed expenditures over new revenues in FY2009 of \$1.7 million. However, this was expected as the fund had budgeted to use up to \$2.5 million of its fund balance. Subsequent to June 30, 2009, the State cut Roads funding a total of 94% for FY2010. It is anticipated that the Roads fund will require drastic cuts and/or appropriations from the General Fund in FY2010 and beyond. The Government Accounting Standards Board has indicated that if State funding is likely to resume in the foreseeable future, the Roads Fund can remain as a Special Revenue Fund within the Governmental Funds category. The County intends to keep the Roads Fund as a Special Revenue Fund until such time as the State indicates it will not resume funding the majority of the Roads budget.

Enterprise Funds

The County has a number of enterprise funds. All of the major funds showed a positive change in net assets. While a number of these funds show operating losses, those losses include depreciation, a non-cash expense, and when non-operating revenues are added in, all show a net gain. The Solid Waste Enterprise Fund was the victim of a fraud scheme, but no adjustment was made to the 2008 Statement of Revenues, Expenses and Changes in Fund Net Assets because all of the expenses relating to the fraud were expensed through annual operating expenditures and were therefore already accounted for. See notes to the financial statements on page 78.

Capital Asset and Debt Administration

At the end of fiscal year 2009, the County's primary government had about \$142.3 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, 2009 and 2008

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land, Buildings & Infrastructure	235.35	229.09	116.73	111.19	352.08	340.28
Accumulated Depreciation	(156.94)	(151.20)	(52.85)	(47.96)	(209.79)	(199.16)
Total Capital Asscts, Net of Depreciation	78.41	77.89	63.88	63.23	142.29	141.12

Major projects funded in 2009 not included above were school projects for the Board of Education (\$17,280,000), building projects at Wor-Wic Community College (\$242,606), a senior service center (\$400,000), initial work towards a new main building for the library system (\$150,000). Included above were various public works projects (\$1,802,000), and a contingency (\$295,394) to cover the issuance costs of the bonds and allow for any overruns up to the amount of the available contingency.

The County's fiscal year 2010 capital budget called for it to spend \$30,075,437 for capital projects for school construction at the Board of Education, a public works project, and various capital improvements around the County, including activities at Recreation and Parks, WorWic Community College, and the Airport. Of this amount, \$16,465,000 was bonded, \$5,528,750 came from internal funds, and the balance was postponed to a future year. More detail about the County's capital assets is presented in the Capital Assets footnote to the financial statements beginning on page 46.

Debt

At year-end, the County had about \$101.7 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$89.2 million last year – an increase of about 14.0 percent – as shown in table 5. This reflects the Council's intention to fund high priority projects, including completion of Bennett High School, but otherwise keep debt levels as low as possible given the extent of County needs.

Table 5

Outstanding Debt at Year-End

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds*	100.30	87.66	1.37	1.57	101.67	89.23
Loans	0.28	.35	0.07	.09	0.35	.44
Leases and notes payable	0.28	.59	1.35	1.25	1.63	1.84
Debt not subject to limitation	(0.28)	(.59)	(1.35)	(1.27)	(1.63)	(1.86)
Totals	100.58	88.01	1.44	1.64	102.02	89.65

*Includes revenue bonds for businesslike activities

The County's general obligation bond rating in fiscal year 2009 was AA+ from Standard and Poor's, A+ from Fitch, and A2 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 \$101.7 million is significantly below this \$249.9 million limit.

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 five fiduciary funds which are reported under "Agency Funds" in the separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 25 and 26. 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, NEXT YEAR'S BUDGET, AND CHANGE OF GOVERNMENT

The County's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget, tax rates, and fees that will be charged for the business-type activities, including:

- The economy. The United States economy was in a recession when the County's budget was passed. This had a negative effect on the budget, resulting in a decrease of almost 3.8%. Due to continued higher-than-normal unemployment and uncertain income tax revenues, the County continued freezes it had implemented the spring of 2009 for personnel and capital expenditures to help ensure that the FY2010 budget was executable on its face as FY2010 revenue began to accrue. However, based on income tax distributions in June, July, and August, the County determined in the fall of 2009 that its revenue estimates for FY2010 were likely overstated, and subsequently the County Executive presented a budget amendment to Council with about a \$4 million write-down in revenue and expenditures. As of December 2009, this amendment is still under consideration. See also "State Funding" below.

- State funding. Although the State strikes its budget before the County is required by charter to strike its fiscal year budget, State budget amendments are common, sometimes leaving the issue of State funding for certain programs uncertain. For example, in August 2009, after the County passed its FY2010 budget, the State imposed further cuts, resulting in a cumulative 94% decrease in highway user revenues for the Roads Fund in FY2010. It is anticipated that with its current budget deficit, State funding will be severely constrained in fiscal year 2011, with resultant constraints on the County budget.
- The revenue cap. The County is required to set the tax rate to cap revenue from real property taxes (excluding new construction) at the lesser of 2 percent or the CPI-U. As the County assessable base increases, the County must lower the tax rate to conform to the cap. This also affects the personal property tax rate, which is set by law at 2.5 times the real property tax rate. For fiscal year 2010, the real property tax rate was lowered from \$0.814 to \$0.759 per \$100 of assessed value, and the personal property tax rate was therefore also lowered from \$2.035 to \$1.898 per \$100.

These factors were taken into account when adopting the general fund budget for fiscal year 2010. Amounts available for appropriation in the general fund budget are \$124.6 million, a decrease of about 3.8% over the fiscal 2009 budget of \$129.5 million. As noted above, a \$4 million revenue write-down is also pending, and the County Council passed a budget amendment authorizing furloughs to partially offset this revenue decrease. In general, most County agencies experienced reductions. A notable exception was the Board of Education, who received an increase due to maintenance of effort – the requirement to spend the same amount per student from one year to the next. With the cuts in highway user revenues, the Roads fund is currently seeking an appropriation from the general fund to continue critical operations, and is facing similar difficulties in FY2011. The County's general fund is also facing budget decreases in fiscal year 2011, and those decreases will likely be accommodated with service reductions and possibly personnel decreases through deauthorization of vacant positions or layoffs. As for the County's business-type activities, we expect the 2010 results will not be significantly different from the 2009 results.

The County changed its form of government in November 2006 when it elected its first County Executive. The executive powers of the County Council moved to the new County Executive, and the Council retained its legislative powers. Under the new Charter, the Executive prepares the operating budget and the Council has no power to increase any proposed appropriation but may lower it. The fiscal year 2009 budget was the third one prepared by the Executive.

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	County Administrator Ted Shea	410-548-4801
Financial Results	Director of Finance		Patricia Petersen	410-548-4840
Fund Financial Statements	Chief Accountant		John Ellis	410-548-4844

BASIC FINANCIAL
STATEMENTS

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and equivalents	\$ 73,546,240	\$ 20,750,163	\$ 94,296,403
Investments	-	200,000	200,000
Receivables	3,279,784	2,295,616	5,575,400
Internal balances	2,044,278	(2,042,049)	2,229
Due from other governmental agencies	7,673,792	506,341	8,180,133
Inventories	357,708	99,373	457,081
Other assets	2,046,568	49,599	2,096,167
Restricted deposits	-	-	-
Net capital assets	78,404,700	63,879,377	142,284,077
Total assets	167,353,070	85,738,420	253,091,490
LIABILITIES			
Accounts payable and accrued expenses	15,711,671	1,422,339	17,134,010
Accrued payroll and taxes	1,028,168	251,897	1,280,065
Due to other governmental agencies	365,622	147,667	513,289
Deferred revenues	1,373,361	626,653	2,000,014
Long-term liabilities			
Due within one year			
Capital lease obligations	91,111	601,142	692,253
Bonds, notes, and loans payable	8,612,043	319,174	8,931,217
Accrued interest	713,715	5,785	719,500
Compensated absences	1,027,183	99,389	1,126,572
Due to other governmental agencies	136,213	-	136,213
Due in more than one year			
Capital lease obligations	190,889	745,275	936,164
Bonds, notes, and loans payable	91,970,856	2,314,186	94,285,042
Compensated absences	2,573,276	265,230	2,838,506
Due to other governmental agencies	732,236	-	732,236
Accrued landfill closure and post closure costs	-	6,011,805	6,011,805
Total liabilities	124,526,344	12,810,542	137,336,886
NET ASSETS			
Invested in capital assets, net of related debt	8,764,558	59,899,600	68,664,158
Restricted for			
Capital projects	-	-	-
Debt service	-	222,788	222,788
Other projects	25,467,305	83,595	25,550,900
Unrestricted	8,594,863	12,721,895	21,316,758
Total net assets	\$ 42,826,726	\$ 72,927,878	\$ 115,754,604

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

Component Units

<u>Board of Education</u>	<u>Wicomico Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ 1,389,541	\$ 891,160	\$ 2,280,701	\$ 96,577,104
26,147,828	-	26,147,828	26,347,828
739,313	4,632	743,945	6,319,345
-	-	-	2,229
13,926,372	33,735	13,960,107	22,140,240
24,237	-	24,237	481,318
-	-	-	2,096,167
1,184,498	-	1,184,498	1,184,498
184,475,089	2,051,010	186,526,099	328,810,176
<u>227,886,878</u>	<u>2,980,537</u>	<u>230,867,415</u>	<u>483,958,905</u>
20,218,694	23,460	20,242,154	37,376,164
1,699,662	22,026	1,721,688	3,001,753
356,410	-	356,410	869,699
1,923,533	-	1,923,533	3,923,547
1,544,089	-	1,544,089	2,236,342
-	-	-	8,931,217
-	-	-	719,500
245,947	72,148	318,095	1,444,667
-	-	-	136,213
1,487,379	-	1,487,379	2,423,543
-	-	-	94,285,042
2,657,838	91,703	2,749,541	5,588,047
-	-	-	732,236
-	-	-	6,011,805
<u>30,133,552</u>	<u>209,337</u>	<u>30,342,889</u>	<u>167,679,775</u>
181,443,621	2,051,010	183,494,631	252,158,789
5,112,284	-	5,112,284	5,112,284
-	-	-	222,788
8,427,856	23,712	8,451,568	34,002,468
2,769,565	696,478	3,466,043	24,782,801
<u>\$ 197,753,326</u>	<u>\$ 2,771,200</u>	<u>\$ 200,524,526</u>	<u>\$ 316,279,130</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Primary Government</u>			
	<u>Expenses</u>	<u>Program Revenue</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	\$ 21,027,395	\$ 3,117,943	\$ 1,371,105	\$ 5,330
Public safety	29,423,846	3,568,609	1,632,779	-
Public works	13,982,027	1,173,383	1,123,007	1,692,212
Health and welfare	7,541,718	573,557	3,360,284	-
Education	77,348,246	-	-	-
Culture and recreation	3,533,297	1,216,987	1,414,423	-
Interest on long-term debt	4,229,543	-	-	-
Total governmental activities	<u>157,086,072</u>	<u>9,650,479</u>	<u>8,901,598</u>	<u>1,697,542</u>
Business-type activities				
Solid Waste	6,544,218	5,598,668	-	-
Airport	3,700,302	925,348	4,574,796	-
Nursing Home	8,380,370	8,496,953	-	-
Urban Services	455,487	401,618	-	48,554
Convention & Visitors Bureau	1,306,040	708,738	43,265	-
Civic Center	5,280,313	4,373,287	-	-
Other business-type activities	46,157	39,085	-	-
Total business-type activities	<u>25,712,887</u>	<u>20,543,697</u>	<u>4,618,061</u>	<u>48,554</u>
Total primary government	<u>\$ 182,798,959</u>	<u>\$ 30,194,176</u>	<u>\$ 13,519,659</u>	<u>\$ 1,746,096</u>
Component Units				
Board of Education	\$ 191,171,840	\$ 4,150,837	\$ 33,781,369	\$ 41,990,294
Wicomico County Free Library	2,898,392	188,665	253,809	6,263
Total component units	<u>\$ 194,070,232</u>	<u>\$ 4,339,502</u>	<u>\$ 34,035,178</u>	<u>\$ 41,996,557</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 item - net loss on disposal of fixed assets
Transfers
Total general revenues, special items, and transfers
Change in net assets
Net assets, as restated - beginning
Net assets - ending

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

Component Units

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Board of Education</u>	<u>Wicomico Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ (16,533,017)	-	\$ (16,533,017)	\$ -	\$ -	\$ -	\$ (16,533,017)
(24,222,458)	-	(24,222,458)	-	-	-	(24,222,458)
(9,993,425)	-	(9,993,425)	-	-	-	(9,993,425)
(3,607,877)	-	(3,607,877)	-	-	-	(3,607,877)
(77,348,246)	-	(77,348,246)	-	-	-	(77,348,246)
(901,887)	-	(901,887)	-	-	-	(901,887)
(4,229,543)	-	(4,229,543)	-	-	-	(4,229,543)
<u>(136,836,453)</u>	<u>-</u>	<u>(136,836,453)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,836,453)</u>
-	(945,550)	(945,550)	-	-	-	(945,550)
-	1,799,842	1,799,842	-	-	-	1,799,842
-	116,583	116,583	-	-	-	116,583
-	(5,315)	(5,315)	-	-	-	(5,315)
-	(554,037)	(554,037)	-	-	-	(554,037)
-	(907,026)	(907,026)	-	-	-	(907,026)
-	(7,072)	(7,072)	-	-	-	(7,072)
-	<u>(502,575)</u>	<u>(502,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(502,575)</u>
<u>\$ (136,836,453)</u>	<u>\$ (502,575)</u>	<u>\$ (137,339,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,339,028)</u>
\$ -	\$ -	\$ -	\$ (111,249,340)	\$ -	\$ (111,249,340)	\$ (111,249,340)
-	-	-	-	(2,449,655)	(2,449,655)	(2,449,655)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,249,340)</u>	<u>\$ (2,449,655)</u>	<u>\$ (113,698,995)</u>	<u>\$ (113,698,995)</u>
\$ 60,328,149	\$ -	\$ 60,328,149	\$ -	\$ -	\$ -	\$ 60,328,149
51,629,388	968,336	52,597,724	-	-	-	52,597,724
-	-	-	101,713,302	26,916	101,740,218	101,740,218
-	-	-	50,204,655	2,459,886	52,664,541	52,664,541
1,334,929	237,336	1,572,265	278,256	8,917	287,173	1,859,438
528,456	766,440	1,294,896	91,273	-	91,273	1,386,169
-	22,726	22,726	-	-	-	22,726
(761,835)	761,835	-	-	-	-	-
<u>113,059,087</u>	<u>2,756,673</u>	<u>115,815,760</u>	<u>152,287,486</u>	<u>2,495,719</u>	<u>154,783,205</u>	<u>270,598,965</u>
<u>(23,777,366)</u>	<u>2,254,098</u>	<u>(21,523,268)</u>	<u>41,038,146</u>	<u>46,064</u>	<u>41,084,210</u>	<u>19,560,942</u>
<u>66,604,092</u>	<u>70,673,780</u>	<u>137,277,872</u>	<u>156,715,180</u>	<u>2,725,136</u>	<u>159,440,316</u>	<u>296,718,188</u>
<u>\$ 42,826,726</u>	<u>\$ 72,927,878</u>	<u>\$ 115,754,604</u>	<u>\$ 197,753,326</u>	<u>\$ 2,771,200</u>	<u>\$ 200,524,526</u>	<u>\$ 316,279,130</u>

WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 23,588,258	\$ 84,910	\$ 43,131,113	\$ 5,174,074	\$ 1,567,885	\$ 73,546,240
Taxes receivable, net	542,355	-	-	-	-	542,355
Other receivables	888,837	160,314	-	1,140,154	3,753	2,193,058
Due from other funds	2,464,184	-	-	-	-	2,464,184
Due from other governments	5,192,647	2,481,145	-	-	-	7,673,792
Inventories	-	-	-	353,295	4,413	357,708
Prepaid expenses	557,603	5,000	-	31,914	-	594,517
Total assets	<u>33,233,884</u>	<u>2,731,369</u>	<u>43,131,113</u>	<u>6,699,437</u>	<u>1,576,051</u>	<u>87,371,854</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	2,194,949	516,907	12,516,538	319,807	58,127	15,606,328
Accrued payroll and taxes	941,941	14,434	-	71,793	-	1,028,168
Due to other funds	-	125,147	-	250,000	44,759	419,906
Payable to other governments	365,622	-	-	-	-	365,622
Deferred revenues	496,061	832,393	-	-	44,907	1,373,361
Accrued compensated absences	950,550	11,616	-	65,017	-	1,027,183
Total liabilities	<u>4,949,123</u>	<u>1,500,497</u>	<u>12,516,538</u>	<u>706,617</u>	<u>147,793</u>	<u>19,820,568</u>
Fund balances						
Reserved for						
Inventories	-	-	-	353,295	4,413	357,708
Encumbrances	640,294	214,650	1,011,324	604,349	56,418	2,527,035
Prepaid expenses	557,603	-	-	-	-	557,603
Other purposes	-	-	29,603,251	-	-	29,603,251
Unreserved						
Designated for						
Subsequent years' expenditures	4,726,824	-	-	1,509,345	-	6,236,169
Fund purposes	9,740,350	1,016,222	-	3,525,831	1,367,427	15,649,830
Unreserved and undesignated	12,619,690	-	-	-	-	12,619,690
Total fund balances	<u>28,284,761</u>	<u>1,230,872</u>	<u>30,614,575</u>	<u>5,992,820</u>	<u>1,428,258</u>	<u>67,551,286</u>
Total liabilities and fund balances	<u>\$ 33,233,884</u>	<u>\$ 2,731,369</u>	<u>\$ 43,131,113</u>	<u>\$ 6,699,437</u>	<u>\$ 1,576,051</u>	<u>\$ 87,371,854</u>

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

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balance, governmental funds	\$ 67,551,286
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Pre-payment of post-retirement employment benefits.	1,452,051
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	78,404,700
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	544,371
Retainage not due in the current period and therefore not reported in the funds.	(105,343)
Long-term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the funds:	
Long-term debt	(100,582,899)
Capital leases	(282,000)
Other long-term liabilities	(868,449)
Accrued interest	(713,715)
Compensated absences	(2,573,276)
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 42,826,726

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 60,328,149	\$ -	\$ -	\$ -	\$ -	\$ 60,328,149
Income taxes	41,198,096	-	-	-	-	41,198,096
Other taxes	4,037,397	-	-	6,270,373	123,522	10,431,292
Licenses and permits	1,279,087	-	-	-	-	1,279,087
Intergovernmental	1,969,785	9,217,244	-	-	-	11,187,029
Charges for services	5,296,990	-	-	1,103,141	1,168,479	7,568,610
Fines and forfeitures	90,241	-	-	-	-	90,241
Miscellaneous	606,467	11,798	-	6,279	4,054	628,598
Investment earnings	1,295,963	-	-	31,993	6,973	1,334,929
Total revenues	<u>116,102,175</u>	<u>9,229,042</u>	<u>-</u>	<u>7,411,786</u>	<u>1,303,028</u>	<u>134,046,031</u>
EXPENDITURES						
Current						
General government	9,510,711	226,988	236,246	-	-	9,973,945
Public safety	14,416,346	1,174,200	-	-	-	15,590,546
Detention Center	12,611,356	-	-	-	-	12,611,356
Public works	762,201	3,245,658	1,750,167	9,113,672	111,793	14,983,491
Health and welfare	3,694,667	-	97,650	-	-	3,792,317
Social services	469,849	3,056,068	293,391	-	-	3,819,308
Education	56,278,836	-	21,069,410	-	-	77,348,246
Recreation and culture	1,850,757	1,520,594	-	-	962,472	4,333,823
Miscellaneous	11,252,100	-	-	-	700	11,252,800
Debt service						
Principal	7,844,921	-	-	200,000	30,198	8,075,119
Interest and other charges	4,101,628	-	1,715	50,000	7,371	4,160,714
Total expenditures	<u>122,793,372</u>	<u>9,223,508</u>	<u>23,448,579</u>	<u>9,363,672</u>	<u>1,112,534</u>	<u>165,941,665</u>
Excess (deficiency) of revenues over expenditures	<u>(6,691,197)</u>	<u>5,534</u>	<u>(23,448,579)</u>	<u>(1,951,886)</u>	<u>190,494</u>	<u>(31,895,634)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt, net	-	-	20,330,834	-	-	20,330,834
Transfers in	316,624	83,392	423,996	300,000	111,947	1,235,959
Transfers out	(860,362)	-	(690,064)	(91,766)	(355,602)	(1,997,794)
Total other financing sources (uses)	<u>(543,738)</u>	<u>83,392</u>	<u>20,064,766</u>	<u>208,234</u>	<u>(243,655)</u>	<u>19,568,999</u>
Net change in fund balances	(7,234,935)	88,926	(3,383,813)	(1,743,652)	(53,161)	(12,326,635)
Fund balances, as restated - beginning	35,519,696	1,141,946	33,998,388	7,736,472	1,481,419	79,877,921
Fund balances - ending	<u>\$ 28,284,761</u>	<u>\$ 1,230,872</u>	<u>\$ 30,614,575</u>	<u>\$ 5,992,820</u>	<u>\$ 1,428,258</u>	<u>\$ 67,551,286</u>

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

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, 2009

Net change in fund balances - total governmental funds: \$ (12,326,635)

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 \$5,998,912 exceed capital outlays - \$6,421,629 in the current period. 422,717

Governmental funds report the entire net sales proceeds from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (11,944)

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 assets differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans. (65,223)

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 proceeds exceeded repayments. (11,940,772)

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:

Payment on other liability not reflected on Governmental funds	179,136
Accrued interest not reflected on Governmental funds	(68,829)
Pre-payment of post-retirement employment benefits	338,345
Accrued compensated absences not reflected on Governmental funds	(304,161)
	(304,161)

Change in net assets of governmental activities \$ (23,777,366)

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2009

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 11,523,866	\$ 796,121	\$ 1,765,746
Certificates of deposit	-	-	200,000
Accounts receivable, net	628,503	46,890	1,157,927
Other receivables	-	-	-
Due from other funds	250,000	-	-
Due from other governments	-	506,341	-
Inventories	-	-	58,072
Deferred charges and prepaid expenses	44,434	2,386	773
Total current assets	<u>12,446,803</u>	<u>1,351,738</u>	<u>3,182,518</u>
Non-current assets			
Capital assets			
Construction in progress	-	2,577,787	-
Land and improvements	392,259	6,963,302	49,286
Land disposal sites - liner costs	18,480,245	-	-
Runways and ramps	12,556	45,575,428	-
Buildings and improvements	494,305	11,841,926	3,134,004
Equipment and furniture	2,002,017	369,375	1,473,330
Vehicles	6,285,854	905,110	8,990
Less accumulated depreciation	<u>(14,883,084)</u>	<u>(26,403,354)</u>	<u>(2,381,160)</u>
Total non-current assets	<u>12,784,152</u>	<u>41,829,574</u>	<u>2,284,450</u>
Total assets	<u>25,230,955</u>	<u>43,181,312</u>	<u>5,466,968</u>
LIABILITIES			
Current liabilities			
Accounts payable	189,049	298,388	799,328
Accrued payroll and taxes	53,831	9,302	133,317
Accrued interest payable	147	960	-
Due to other funds	-	-	-
Due to other governmental entities	-	-	147,667
Deferred revenues	169,279	131,010	-
Compensated absences	48,026	13,905	-
Capital lease obligation	601,142	-	-
Bonds, notes and loans payable	126,809	37,517	116,476
Total current liabilities	<u>1,188,283</u>	<u>491,082</u>	<u>1,196,788</u>
Non-current liabilities			
Compensated absences	131,899	27,602	-
Capital lease obligation	745,275	-	-
Bonds, notes and loans payable	707,214	138,075	1,077,060
Accrued landfill closure and post closure costs	6,011,805	-	-
Total non-current liabilities	<u>7,596,193</u>	<u>165,677</u>	<u>1,077,060</u>
Total liabilities	<u>8,784,476</u>	<u>656,759</u>	<u>2,273,848</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,603,712	41,653,982	1,090,914
Restricted for debt service	-	-	-
Restricted for other purposes	-	-	-
Unrestricted	5,842,767	870,571	2,102,206
Total net assets	<u>\$ 16,446,479</u>	<u>\$ 42,524,553</u>	<u>\$ 3,193,120</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>
\$ 1,574,464	\$ 740,908	\$ 4,255,222	\$ 93,836	\$ 20,750,163
-	-	-	-	200,000
106,698	154,014	188,194	2,145	2,284,371
11,245	-	-	-	11,245
-	-	-	-	250,000
-	-	-	-	506,341
-	138	41,163	-	99,373
-	-	2,006	-	49,599
<u>1,692,407</u>	<u>895,060</u>	<u>4,486,585</u>	<u>95,981</u>	<u>24,151,092</u>
-	-	-	-	2,577,787
1,878,754	1,815	479,093	-	9,764,509
-	-	-	-	18,480,245
-	-	-	-	45,587,984
-	553,894	12,423,111	-	28,447,240
-	192,566	584,807	-	4,622,095
-	39,575	6,200	-	7,245,729
(1,600,656)	(258,939)	(7,319,019)	-	(52,846,212)
<u>278,098</u>	<u>528,911</u>	<u>6,174,192</u>	<u>-</u>	<u>63,879,377</u>
<u>1,970,505</u>	<u>1,423,971</u>	<u>10,660,777</u>	<u>95,981</u>	<u>88,030,469</u>
74,976	7,294	53,217	87	1,422,339
-	11,732	42,614	1,101	251,897
-	-	4,678	-	5,785
640	-	2,290,373	1,036	2,292,049
-	-	-	-	147,667
137,749	-	188,615	-	626,653
-	9,094	28,364	-	99,389
-	-	-	-	601,142
-	12,222	26,150	-	319,174
<u>213,365</u>	<u>40,342</u>	<u>2,634,011</u>	<u>2,224</u>	<u>5,766,095</u>
-	24,090	81,639	-	265,230
-	-	-	-	745,275
-	76,148	315,689	-	2,314,186
-	-	-	-	6,011,805
-	100,238	397,328	-	9,336,496
<u>213,365</u>	<u>140,580</u>	<u>3,031,339</u>	<u>2,224</u>	<u>15,102,591</u>
278,098	440,541	5,832,353	-	59,899,600
222,788	-	-	-	222,788
83,595	-	-	-	83,595
1,172,659	842,850	1,797,085	93,757	12,721,895
<u>\$ 1,757,140</u>	<u>\$ 1,283,391</u>	<u>\$ 7,629,438</u>	<u>\$ 93,757</u>	<u>\$ 72,927,878</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2009

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 5,598,668	\$ 925,348	\$ 8,431,581
Miscellaneous	-	-	65,372
Total operating revenues	<u>5,598,668</u>	<u>925,348</u>	<u>8,496,953</u>
OPERATING EXPENSES			
Personnel services	2,428,952	408,276	5,706,519
Contractual services	470,635	15,015	891,324
Utilities	149,340	160,191	263,725
Repairs and maintenance	127,152	140,119	83,288
Other supplies and expenses	708,976	89,924	1,123,281
Insurance claims and expenses	-	28,373	118,062
Provision for post closure costs	321,752	-	-
Direct costs of events	-	-	-
Depreciation	2,245,643	2,825,259	158,031
Total operating expenses	<u>6,452,450</u>	<u>3,667,157</u>	<u>8,344,230</u>
Operating income (loss)	<u>(853,782)</u>	<u>(2,741,809)</u>	<u>152,723</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	158,679	849	12,964
Miscellaneous revenue	418,000	-	105,925
Operating grants and contributions	-	4,574,796	-
Passenger facility charges, net of fees	-	240,573	-
Interest expense	(91,768)	(12,348)	(36,140)
Miscellaneous expenses	-	(20,797)	-
Total non-operating revenue	<u>484,911</u>	<u>4,783,073</u>	<u>82,749</u>
Income (loss) before contributions and transfers	<u>(368,871)</u>	<u>2,041,264</u>	<u>235,472</u>
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(92,157)	-	-
Special item - gain on sale of capital assets	19,199	3,527	-
Change in net assets	<u>(441,829)</u>	<u>2,044,791</u>	<u>235,472</u>
Total net assets, as restated - beginning	<u>16,888,308</u>	<u>40,479,762</u>	<u>2,957,648</u>
Total net assets - ending	<u>\$ 16,446,479</u>	<u>\$ 42,524,553</u>	<u>\$ 3,193,120</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>
\$ 396,388	\$ -	\$ 4,365,677	\$ 39,085	\$ 19,756,747
5,230	708,738	7,610	-	786,950
<u>401,618</u>	<u>708,738</u>	<u>4,373,287</u>	<u>39,085</u>	<u>20,543,697</u>
-	448,302	1,601,127	41,731	10,634,907
331,118	647,880	52,393	1,510	2,409,875
7,990	20,716	298,041	233	900,236
-	28,701	97,783	-	477,043
70,795	128,108	410,785	2,683	2,534,552
-	-	-	-	146,435
-	-	-	-	321,752
-	-	2,467,665	-	2,467,665
44,746	27,724	337,706	-	5,639,109
<u>454,649</u>	<u>1,301,431</u>	<u>5,265,500</u>	<u>46,157</u>	<u>25,531,574</u>
<u>(53,031)</u>	<u>(592,693)</u>	<u>(892,213)</u>	<u>(7,072)</u>	<u>(4,987,877)</u>
23,414	104	41,326	-	237,336
1,542	829,736	139,000	-	1,494,203
-	43,265	-	-	4,618,061
-	-	-	-	240,573
(838)	(4,609)	(14,813)	-	(160,516)
-	-	-	-	(20,797)
<u>24,118</u>	<u>868,496</u>	<u>165,513</u>	<u>-</u>	<u>6,408,860</u>
<u>(28,913)</u>	<u>275,803</u>	<u>(726,700)</u>	<u>(7,072)</u>	<u>1,420,983</u>
48,554	-	-	-	48,554
-	52,334	999,473	-	1,051,807
-	(21,000)	(176,815)	-	(289,972)
-	-	-	-	22,726
<u>19,641</u>	<u>307,137</u>	<u>95,958</u>	<u>(7,072)</u>	<u>2,254,098</u>
<u>1,737,499</u>	<u>976,254</u>	<u>7,533,480</u>	<u>100,829</u>	<u>70,673,780</u>
<u>\$ 1,757,140</u>	<u>\$ 1,283,391</u>	<u>\$ 7,629,438</u>	<u>\$ 93,757</u>	<u>\$ 72,927,878</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2009

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 5,500,265	\$ 1,165,813
Payments to suppliers for goods and services	(1,369,656)	(376,013)
Payments to employees for services	(2,509,400)	(404,837)
Net cash provided (used) by operating activities	1,621,209	384,963
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(92,157)	-
(Increase) decrease in due from other funds	(690,774)	-
Donations	-	-
Net cash provided (used) by noncapital financing activities	(782,931)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(105,526)	(12,214)
Acquisition and construction of capital assets	(299,402)	(4,840,220)
Principal payments on notes and bonds payable	(708,916)	(11,914)
Capital contributions	-	-
Proceeds from sale of capital assets, net of expenses	26,023	3,906
Federal and state grants	-	4,574,796
Net cash provided (used) by capital and related financing activities	(1,087,821)	(285,646)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	158,679	849
Other income (expense)	418,000	(20,797)
Net cash provided (used) by investing activities	576,679	(19,948)
NET INCREASE (DECREASE) IN CASH	327,136	79,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,196,730	716,752
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,523,866	\$ 796,121
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (853,782)	\$ (2,741,809)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,245,643	2,825,259
Passenger facility charges, net of fees	-	240,573
Provision for bad debt	-	-
Changes in assets and liabilities:		
Accounts receivable	(80,058)	7,172
Other receivables	-	-
Prepaid expenses	(44,434)	(2,386)
Due to/from other governmental agencies	-	(65,062)
Inventories	-	-
Accounts payable and accrued expenses	50,433	63,434
Landfill closure and post-closure cost	321,752	-
Deferred revenues	(18,345)	57,782
Net cash provided (used) by operating activities	\$ 1,621,209	\$ 384,963

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,517,746	\$ 354,120	\$ 659,741	\$ 4,156,951	\$ 61,270	\$ 20,415,906
(4,195,224)	(401,198)	(878,080)	(3,310,587)	(7,975)	(10,538,733)
(3,858,988)	-	(439,235)	(1,579,220)	(41,610)	(8,833,290)
<u>463,534</u>	<u>(47,078)</u>	<u>(657,574)</u>	<u>(732,856)</u>	<u>11,685</u>	<u>1,043,883</u>
-	-	31,334	822,658	-	761,835
-	(120,230)	-	366,824	-	(444,180)
105,321	-	-	-	-	105,321
<u>105,321</u>	<u>(120,230)</u>	<u>31,334</u>	<u>1,189,482</u>	<u>-</u>	<u>422,976</u>
(36,140)	(1,676)	(6,864)	(14,833)	-	(177,253)
(129,490)	-	(9,346)	(334,481)	-	(5,612,939)
(116,477)	(25,000)	(29,835)	(25,514)	-	(917,656)
-	48,554	-	-	-	48,554
-	-	-	-	-	29,929
-	-	43,265	-	-	4,618,061
<u>(282,107)</u>	<u>21,878</u>	<u>(2,780)</u>	<u>(374,828)</u>	<u>-</u>	<u>(2,011,304)</u>
12,964	23,414	104	41,326	-	237,336
604	1,542	829,736	139,000	-	1,368,085
<u>13,568</u>	<u>24,956</u>	<u>829,840</u>	<u>180,326</u>	<u>-</u>	<u>1,605,421</u>
300,316	(120,474)	200,820	262,124	11,685	1,060,976
1,465,430	1,694,938	540,088	3,993,098	82,151	19,689,187
<u>\$ 1,765,746</u>	<u>\$ 1,574,464</u>	<u>\$ 740,908</u>	<u>\$ 4,255,222</u>	<u>\$ 93,836</u>	<u>\$ 20,750,163</u>
\$ 152,723	\$ (53,031)	\$ (592,693)	\$ (892,213)	\$ (7,072)	\$ (4,987,877)
162,665	44,746	27,724	337,706	-	5,643,743
-	-	-	-	-	240,573
135,070	-	-	-	-	135,070
137,147	(11,024)	(48,997)	(131,169)	22,185	(104,744)
-	(8,570)	-	-	-	(8,570)
-	838	19,963	(2,006)	-	(28,025)
(205,370)	22,543	-	-	-	(247,889)
2,637	-	108	13,217	-	15,962
100,932	7,867	(63,679)	26,776	(3,428)	182,335
-	-	-	-	-	321,752
(22,270)	(50,447)	-	(85,167)	-	(118,447)
<u>\$ 463,534</u>	<u>\$ (47,078)</u>	<u>\$ (657,574)</u>	<u>\$ (732,856)</u>	<u>\$ 11,685</u>	<u>\$ 1,043,883</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency</u> <u>Funds</u>	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,655,045	\$ 5,946,449	\$ 883,521	\$ 8,485,015
Investments	-	29,152,952	4,234,954	33,387,906
Accounts receivable	14,224	-	-	14,224
Total assets	<u>1,669,269</u>	<u>35,099,401</u>	<u>5,118,475</u>	<u>41,887,145</u>
LIABILITIES				
Accounts payable	92,906	-	-	92,906
Due to agency funds	1,452,021	-	-	1,452,021
Due to general fund	2,229	-	-	2,229
Deposits	30,888	-	-	30,888
Seized money escrow	91,225	-	-	91,225
Total liabilities	<u>1,669,269</u>	<u>-</u>	<u>-</u>	<u>1,669,269</u>
NET ASSETS				
Held in trust for retirement benefits	-	35,099,401	5,118,475	40,217,876
Total net assets	<u>\$ -</u>	<u>\$ 35,099,401</u>	<u>\$ 5,118,475</u>	<u>\$ 40,217,876</u>

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 5,022,332	\$ 1,543,316	\$ 6,565,648
Investment earnings			
Net decrease in fair value of investments	(3,835,227)	(337,517)	(4,172,744)
Interest and dividends	956,406	90,969	1,047,375
Loss on sale of investments	(3,067,466)	(341,192)	(3,408,658)
Total net investment earnings	(5,946,287)	(587,740)	(6,534,027)
Total additions	(923,955)	955,576	31,621
DEDUCTIONS			
Benefits	1,734,463	-	1,734,463
Administrative	165,549	15,850	181,399
Total deductions	1,900,012	15,850	1,915,862
Change in net assets	(2,823,967)	939,726	(1,884,241)
Net assets - beginning	37,923,368	4,178,749	42,102,117
Net assets - ending	<u>\$ 35,099,401</u>	<u>\$ 5,118,475</u>	<u>\$ 40,217,876</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009 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:

- Solid Waste Landfill
- Salisbury - Ocean City: Wicomico Regional Airport
- Wicomico Nursing Home
- Wicomico County Urban Services Commission
- Convention & Visitors Bureau
- Civic Center

Discretely presented component units:

- The Board of Education of Wicomico County
- The Wicomico County Free Library, Inc.

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 assets/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, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

The County Commissioners are responsible for appointing the members of the boards of various other organizations, but the County's accountability for these organizations do 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, recreation and culture, 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 Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and 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 assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 assets 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, 2009

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.

The County's non-major governmental funds include Recreation, Tax Ditches, and Agricultural Tax.

2. Enterprise Funds:

The focus of enterprise fund measurement is upon determination of operating income, changes in net assets, 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.
- d. Convention & Visitors Bureau Fund is used to account for activities related to the enhancement of the economic impact of tourism in the County.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

2. Enterprise Funds (Continued):

- 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 Local Matching, Electrical Board and Prophecy Residential Treatment.

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 an agency fund to account for assets held for, and due to, inmates of the Wicomico County Detention Center. 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 is used for the activity related to the Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County. The County's Sheriff's Escrow account includes monies collected from the employees to cover employee specific celebrations that the county is not obligated to cover. The Narcotics Task Force seized monies escrow is monies confiscated in drug related activities and the funds are held until court case verdict and for use by the Task Force thereafter. The County's 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. The 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.. All of these funds are custodial in nature and do not involve measurement of results of operations. With the exception of the pension and health plan, the County presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. 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.

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, 2009

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 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.

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, 2009, the County’s share was \$9,772,120.

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. In addition, in fiscal year 2010, the State has borrowed from this fund to help close the State’s budget shortfall. 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 2010, 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, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

The County reports deferred revenue on its statement of net assets 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.

GAAP allows governments to choose either not to implement, in enterprise funds, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The Primary Government has elected not to implement FASB pronouncements issued after that date for its enterprise funds.

Amounts reported as program revenues 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 Special Revenue Fund, Solid Waste Landfill Enterprise 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 Special Revenue Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Solid Waste Landfill and Airport Enterprise Funds are adopted under a basis consistent with GAAP, except that the Airport does not consider depreciation. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2009.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 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 is reported as loans, services provided, reimbursements, or transfers. 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, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are maintained in the Civic Center and Recreation and Parks operations of the County's General Fund for concessions and in the Roads Department 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
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

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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line interest 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.

Compensated Absences

The County accrues accumulated unpaid vacation, 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2009 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 ending 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, 2009, both local property taxes receivable and due to other governments included \$38,762 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during a subsequent year.

Reserved and Designated Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Wicomico County

Deposits and Investments Other Than Pension 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (Continued)

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 and its blended component units do not have any investments

At June 30, 2009, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$95,676,693 and the bank balance was \$98,741,829. All deposits are carried at cost plus accrued interest. Of the bank balance \$92,652,137 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 Poors. 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 \$6,089,692 were secured as follows:

FDIC coverage	\$ 132,290
Secured with collateral in County's name	<u>5,957,402</u>
	<u>\$ 6,089,692</u>

Custodial Credit Risk

These 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. The County does not have a deposit policy for custodial credit risk. As of June 30, 2009 the County's bank balances other than MLGIP was not exposed to custodial credit risk as \$132,290 was insured by the FDIC, and the remaining \$5,957,402 was secured by acceptable collateral.

Credit Risk

All the investments are either in fully insured certificates of deposit or in the MLGIP which has a Standard and Poors rating of "AAAm".

Concentration of Credit Risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 97% of total cash.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (Continued)

Interest Rate Risk

The County's primary concern related to cash and investments is security and liquidity and therefore has no long-term investments and 97% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2009, the actual yield of the MLGIP was 1.41%. The fair value of the pool is the same as the value of the pool shares.

Wicomico County - Pension and Other 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 plan investments are held by State Street and Aetna Insurance Company in the County's name.

Pension and health plan funds are invested as follows:

	<u>Pension</u>		<u>GASB 45</u>
	<u>State Street</u>	<u>AETNA</u>	<u>State Street</u>
Cash and equivalents	\$ 5,705,487	\$ 240,962	\$ 883,521
Government bonds	876,846	-	85,192
Commercial paper (less than 1 year)	33,863	297,780	53,212
Corporate bonds	8,137,622	1,701,599	1,141,063
Equities	13,743,290	127,620	2,135,902
Foreign assets	4,234,332	-	819,585
Total	<u>\$ 32,731,440</u>	<u>\$ 2,367,961</u>	<u>\$ 5,118,475</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County - Pension and Other Trust Fund Investments (Continued)

State Street:

Corporate bond issues for pension and health plans at rounded market value held at June 30, 2009 are as follows:

			Due
\$ 215,000	AT&T Inc.	4.85%	02/15/14
\$ 295,000	Alltel Corp	7.88%	07/01/32
\$ 80,000	Baker Hughes Inc.	6.50%	11/15/13
\$ 185,000	Baker Hughes Inc.	7.50%	11/15/18
\$ 70,000	Bank of America Corp.	4.88%	09/15/12
\$ 240,000	Berkshire Hathaway	4.63%	10/15/13
\$ 80,000	Berkshire Hathaway	5.00%	08/15/13
\$ 220,000	Caterpillar Inc.	7.00%	12/15/13
\$ 125,000	Cisco Systems Inc.	5.50%	02/22/16
\$ 125,000	Conoco Phillips	5.20%	05/15/18
\$ 255,000	Conoco Phillips	4.75%	02/01/14
\$ 40,000	Deere & Company	8.50%	01/09/22
\$ 151,000	E.I. du Pont de Nemours	6.00%	07/15/18
\$ 210,000	E.I. du Pont de Nemours	5.88%	01/15/14
\$ 150,000	Duke University	5.15%	04/01/19
\$ 25,000	GTE Corp.	6.84%	04/15/18
\$ 150,000	General Dynamics Corp.	5.25%	02/01/14
\$ 221,000	General Electric Co.	5.25%	12/06/17
\$ 280,000	General Electric Capital Corp.	3.00%	12/09/11
\$ 280,000	Goldman Sachs Group	3.25%	06/15/12
\$ 221,000	Hewlett Packard Co.	5.50%	03/01/18
\$ 80,000	Hewlett Packard Co.	6.13%	03/01/14
\$ 270,000	Honeywell International	4.25%	03/01/13
\$ 100,000	IBM Corp.	4.25%	09/15/09
\$ 280,000	JP Morgan Chase & Co.	3.13%	12/01/11
\$ 235,000	Medtronic Inc.	4.75%	09/15/15
\$ 200,000	Nucor Corp.	5.75%	12/01/17
\$ 220,000	Occidental Pete	6.75%	01/15/12
\$ 235,000	PPG Industries Inc.	6.88%	02/15/12
\$ 235,000	Pepsico Inc.	7.90%	11/01/18
\$ 230,000	Pfizer Inc.	5.35%	03/15/15
\$ 30,000	Pharmacia Corp.	8.70%	10/15/21
\$ 380,000	Pitney Bowes MTN	4.75%	05/15/18
\$ 125,000	Pitney Bowes Inc.	4.63%	10/01/12
\$ 270,000	Proctor & Gamble Co.	4.60%	01/15/14
\$ 200,000	Prudential Financial Inc.	4.50%	07/15/13
\$ 150,000	Schering Plough Corp.	5.55%	12/01/13
\$ 65,000	Tele-Communications Inc.	7.88%	08/01/13
\$ 78,000	Toyota Motor Credit Corp.	4.35%	12/15/10
\$ 125,000	United Parcel Service	5.50%	01/15/18
\$ 135,000	United Tech Corp.	5.38%	12/15/17
\$ 180,000	Washington Post Co.	7.25%	02/01/19
\$ 280,000	Wells Fargo & Co.	3.00%	12/09/11

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County - Pension and Other Trust Fund Investments (Continued)

AETNA:

Aetna investments consist of \$240,962 in liquid assets and part of a \$1.6 billion pool backed by the full financial strength of Aetna Life Insurance Company's general account.

Corporate bonds are 80% of the portfolio. Within the pool, the five largest corporate bond holdings and their S&P ratings at June 30, 2009 are as follows:

		<u>S&P Rating</u>
AT&T Inc.	\$ 26,000,000	A/ A2
JP Morgan Chase & Co.	\$ 25,000,000	A/A1
Province of Quebec	\$ 25,000,000	A+/Aa2
CitiGroup Inc.	\$ 25,000,000	A-/Baa1
HSBC Holdings PLC	\$ 22,000,000	A/A3

Board of Education of Wicomico County

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 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 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%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

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 is as specified under Section 6-202 of the same document.

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, 2009, the Board's non-pension funds were invested as follows:

	CARRYING VALUE	BANK BALANCE
Cash and cash equivalents	\$ 1,388,196	\$ 2,784,176

The bank balances were exposed to custodial credit risk as follows:

Insured	\$ 2,784,176
Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name	-
Uninsured and Collateral Held by Pledging Bank's Trust Department Not in the Board's Name	-
	\$ 2,784,176

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created with the passage of Article 95 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 Standards and Poors. 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 \$26,147,828 at June 30, 2009 with \$7,769,336 restricted/reserved 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, 2009**

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 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:

	State Street	AETNA	Janus	State Street (GASB 45)
Cash and equivalents	\$ 596,183	\$ 167,932	\$ 20,605	\$ 252,153
Government bonds	278,675	67,173	-	55,117
Commercial paper (less than 1 year)	-	391,842	-	-
Corporate bonds	3,124,429	2,171,922	730,671	866,734
Common stock	6,407,202	-	833,693	2,117,015
Total	\$ 10,406,489	\$ 2,798,869	\$ 1,584,969	\$ 3,291,019

Corporate bonds held at June 30, 2009 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	State Street	AETNA	Janus	State Street (GASB 45)
AAA	18.10%		28.90%	
AA+	4.00%			
AA	4.70%		5.10%	
AA-	7.40%			
A+	10.60%	20.33%		53.70%
A	45.30%	59.35%	15.80%	46.30%
A-	2.50%	20.33%		
BBB+	7.40%			
BBB				
BBB-			30.60%	
BB			12.00%	
B			4.10%	
Below B			1.60%	
Not Rated			1.90%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

State Street:

Corporate bond issues held at June 30, 2009 are as follows:

			Due
\$	70,000	AT&T Inc.	4.85% 02/15/14
\$	100,000	Alltel Corp	7.88% 07/01/32
\$	15,000	Baker Hughes Inc.	6.50% 11/15/13
\$	70,000	Baker Hughes Inc.	7.50% 11/15/18
\$	30,000	Bank of America Corp.	4.88% 09/15/12
\$	75,000	Berkshire Hathaway	4.63% 10/15/13
\$	20,000	Berkshire Hathaway	5.00% 08/15/13
\$	75,000	Caterpillar Inc.	7.00% 12/15/13
\$	45,000	Cisco Systems Inc.	5.50% 02/22/16
\$	45,000	Conoco Phillips	5.20% 05/15/18
\$	85,000	Conoco Phillips	4.75% 02/01/14
\$	25,000	Deere & Company	8.50% 01/09/22
\$	45,000	E.I. du Pont de Nemours	6.00% 07/15/18
\$	65,000	E.I. du Pont de Nemours	5.88% 01/15/14
\$	60,000	Duke University	5.15% 04/01/19
\$	25,000	GTE Corp.	6.84% 04/15/18
\$	115,000	General Dynamics Corp.	5.25% 02/01/14
\$	75,000	General Electric Co.	5.25% 12/06/17
\$	100,000	General Electric Capital Corp.	3.00% 12/09/11
\$	50,000	Global Marine Inc.	7.00% 06/01/28
\$	100,000	Goldman Sachs Group	3.25% 06/15/12
\$	75,000	Hewlett Packard Co.	5.50% 03/01/18
\$	35,000	Hewlett Packard Co.	6.13% 03/01/14
\$	90,000	Honeywell International	4.25% 03/01/13
\$	75,000	IBM Corp.	4.25% 09/15/09
\$	100,000	JP Morgan Chase & Co.	3.13% 12/04/11
\$	100,000	Medtronic Inc.	4.75% 09/15/15
\$	60,000	Nucor Corp.	5.75% 12/01/17
\$	50,000	Occidental Pete	6.75% 01/15/12
\$	100,000	PPG Industries Inc.	6.88% 02/15/12
\$	75,000	Pepsico Inc.	7.90% 11/01/18
\$	60,000	Pfizer Inc.	5.35% 03/15/15
\$	30,000	Pharmacia Corp.	8.70% 10/15/21
\$	135,000	Pitney Bowes MTN	4.75% 05/15/18
\$	75,000	Pitney Bowes Inc.	4.63% 10/01/12
\$	95,000	Proctor & Gamble Co.	4.60% 01/15/14
\$	77,000	Prudential Financial Inc.	4.50% 07/15/13
\$	80,000	Schering Plough Corp.	5.55% 12/01/13
\$	91,000	Telc-Communications Inc.	7.88% 08/01/13
\$	30,000	Toyota Motor Credit Corp.	4.35% 12/15/10
\$	45,000	United Parcel Service	5.50% 01/15/18
\$	50,000	United Tech Corp.	5.38% 12/15/17
\$	50,000	Washington Post Co.	7.25% 02/01/19
\$	100,000	Wells Fargo & Co.	3.00% 12/09/11

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

AETNA:

Corporate bond issues held at June 30, 2009 are as follows:

	Percent of Holdings
AT&T Inc.	21.14%
JP Morgan Chase & Co.	20.33%
Province of Quebec	20.33%
CitiGroup Inc.	20.33%
HSBC Holdings PLC	17.89%

Janus:

Corporate bond issues held at June 30, 2009 are as follows:

	Percent of Holdings
Janus Advisor Balanced (JDBAX) Average duration 4.9 years	100.00%

The Wicomico County Free Library, Inc.

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 the 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.

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 \$406,569, which also approximates the fair market value at June 30, 2009. MLGIP and the Library's exposure to credit, market, or legal risk is not available.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 \$496,061. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due from Other Governmental Agencies.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2009 are as follows:

	Governmental				Total
	General Fund	Grants Fund	Roads	Other	
Receivables					
Taxes receivable	\$ 1,746,406	\$ -	\$ -	\$ -	\$ 1,746,406
Notes receivable	-	-	-	544,371	544,371
Due from other governments	5,192,647	2,481,145	-	-	7,673,792
Other receivables	888,837	160,314	1,140,154	3,753	2,193,058
Gross receivables	<u>7,827,890</u>	<u>2,641,459</u>	<u>1,140,154</u>	<u>548,124</u>	<u>12,157,627</u>
Less allowance for uncollectibles	1,204,051	-	-	-	1,204,051
Net total receivables	<u>\$ 6,623,839</u>	<u>\$ 2,641,459</u>	<u>\$ 1,140,154</u>	<u>\$ 548,124</u>	<u>\$ 10,953,576</u>

	Business-Type				Total
	Solid Waste	Airport	Nursing Home	Other	
Receivables					
Accounts receivable	\$ 635,368	\$ 46,890	\$ 1,292,927	\$ 451,051	\$ 2,426,236
Due from other governments	-	506,341	-	-	506,341
Other receivables	-	-	-	11,245	11,245
Gross receivables	<u>635,368</u>	<u>553,231</u>	<u>1,292,927</u>	<u>462,296</u>	<u>2,943,822</u>
Less allowance for uncollectibles	6,865	-	135,000	-	141,865
Net total receivables	<u>\$ 628,503</u>	<u>\$ 553,231</u>	<u>\$ 1,157,927</u>	<u>\$ 462,296</u>	<u>\$ 2,801,957</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government:

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 4,557,611	\$ 1,898,281	\$ -	\$ -	\$ 6,455,892
Construction in progress	2,069,495	3,331,440	-	(2,576,801)	2,824,134
Total capital assets not being depreciated	<u>6,627,106</u>	<u>5,229,721</u>	<u>-</u>	<u>(2,576,801)</u>	<u>9,280,026</u>
Capital assets being depreciated					
Infrastructure	169,637,782	171,275	-	2,106,857	171,915,914
Land improvements	1,112,502	14,675	-	-	1,127,177
Buildings and improvements	34,668,383	189,416	-	182,400	35,040,199
Machinery, office furniture and equipment	7,111,386	394,504	(15,249)	287,544	7,778,185
Vehicles	9,933,131	527,381	(273,378)	17,527	10,204,661
Total capital assets being depreciated	<u>222,463,184</u>	<u>1,297,251</u>	<u>(288,627)</u>	<u>2,594,328</u>	<u>226,066,136</u>
Total capital assets	<u>\$ 229,090,290</u>	<u>\$ 6,526,972</u>	<u>\$ (288,627)</u>	<u>\$ 17,527</u>	<u>\$ 235,346,162</u>
Accumulated depreciation					
Infrastructure	\$ (118,057,773)	\$ (3,210,490)	\$ -	\$ -	\$ (121,268,263)
Land improvements	(452,716)	(52,660)	-	-	(505,376)
Buildings and improvements	(20,818,649)	(1,007,496)	-	-	(21,826,145)
Machinery, office furniture and equipment	(3,960,274)	(1,009,687)	13,718	-	(4,956,243)
Vehicles	(7,912,294)	(718,578)	262,964	(17,527)	(8,385,435)
Total accumulated depreciation	<u>(151,201,706)</u>	<u>(5,998,911)</u>	<u>276,682</u>	<u>(17,527)</u>	<u>(156,941,462)</u>
Governmental activities capital assets, net	<u>\$ 77,888,584</u>	<u>\$ 528,061</u>	<u>\$ (11,945)</u>	<u>\$ -</u>	<u>\$ 78,404,700</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government (Continued):

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 5,943,788	\$ 174,191	\$ -	\$ 11,156	\$ 6,129,135
Construction in progress	927,562	2,643,787	-	(924,546)	2,646,803
Total capital assets not being depreciated	<u>6,871,350</u>	<u>2,817,978</u>	<u>-</u>	<u>(913,390)</u>	<u>8,775,938</u>
Capital assets being depreciated					
Land improvements	3,541,184	-	-	(11,156)	3,530,028
Land disposal sites - liner costs	18,480,245	-	-	-	18,480,245
Runways and ramps	43,536,977	2,038,452	-	-	45,575,429
Buildings and improvements	27,383,306	141,203	-	924,546	28,449,055
Machinery, office furniture and equipment	4,106,544	397,435	(2,324)	-	4,501,655
Vehicles	7,276,091	895,917	(755,769)	(3,000)	7,413,239
Total capital assets being depreciated	<u>104,324,347</u>	<u>3,473,007</u>	<u>(758,093)</u>	<u>910,390</u>	<u>107,949,651</u>
Total capital assets	<u>\$ 111,195,697</u>	<u>\$ 6,290,985</u>	<u>\$ (758,093)</u>	<u>\$ (3,000)</u>	<u>\$ 116,725,589</u>
Accumulated depreciation					
Land improvements	\$ (1,790,088)	\$ (95,579)	\$ -	\$ -	\$ (1,885,667)
Land disposal sites - liner costs	(7,811,369)	(1,088,923)	-	-	(8,900,292)
Runways and ramps	(15,138,913)	(2,567,530)	-	-	(17,706,443)
Buildings and improvements	(15,651,369)	(589,117)	-	-	(16,240,486)
Machinery, office furniture and equipment	(2,814,118)	(373,395)	1,945	-	(3,185,568)
Vehicles	(4,755,137)	(924,564)	748,945	3,000	(4,927,756)
Total accumulated depreciation	<u>(47,960,994)</u>	<u>(5,639,108)</u>	<u>750,890</u>	<u>3,000</u>	<u>(52,846,212)</u>
Business-type activities capital assets, net	<u>\$ 63,234,703</u>	<u>\$ 651,877</u>	<u>\$ (7,203)</u>	<u>\$ -</u>	<u>\$ 63,879,377</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 404,692
Public Safety	1,636,971
Public Works	3,578,374
Health & Welfare	48,454
Culture & Recreation	330,421
Total depreciation expense – governmental activities	<u>\$ 5,998,912</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 1,156,720
Solid Waste – land disposal sites	1,088,923
Salisbury – Ocean City: Wicomico Regional Airport	2,825,259
Nursing Home	158,031
Urban Services	44,746
Convention & Visitors Bureau	27,724
Civic Center	337,705
Total depreciation expense – business-type activities	<u>\$ 5,639,108</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (discretely presented component unit):

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 2,024,109	\$ -	\$ -	\$ -	\$ 2,024,109
Construction in progress	3,356,763	41,279,043	-	(389,165)	44,246,641
Total capital assets not being depreciated	<u>5,380,872</u>	<u>41,279,043</u>	<u>-</u>	<u>(389,165)</u>	<u>46,270,750</u>
Capital assets being depreciated					
Buildings and improvements	180,444,988	3,799	(59,497)	387,667	180,776,957
Furniture and equipment	20,609,444	2,786,131	(1,588,794)	1,498	21,808,279
Vehicles	1,345,426	50,890	(59,633)	-	1,336,683
Total capital assets being depreciated	<u>202,399,858</u>	<u>2,840,820</u>	<u>(1,707,924)</u>	<u>389,165</u>	<u>203,921,919</u>
Total capital assets	<u>\$ 207,780,730</u>	<u>\$ 44,119,863</u>	<u>\$ (1,707,924)</u>	<u>\$ -</u>	<u>\$ 250,192,669</u>
Less accumulated depreciation					
Buildings and improvements	(48,627,441)	(4,193,731)	53,594	-	(52,767,578)
Furniture and equipment	(10,972,403)	(2,673,063)	1,244,632	-	(12,400,834)
Vehicles	(771,314)	(118,239)	59,633	-	(829,920)
Total accumulated depreciation	<u>(60,371,158)</u>	<u>(6,985,033)</u>	<u>1,357,859</u>	<u>-</u>	<u>(65,998,332)</u>
Total capital assets, being depreciated, net	<u>142,028,700</u>	<u>(4,144,213)</u>	<u>(350,065)</u>	<u>389,165</u>	<u>137,923,587</u>
Governmental activities capital assets, net	<u>\$ 147,409,572</u>	<u>\$ 37,134,830</u>	<u>\$ (350,065)</u>	<u>\$ -</u>	<u>\$ 184,194,337</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 1,850,460	\$ 31,219	\$ (9,673)	\$ -	\$ 1,872,006
Accumulated depreciation	(1,554,780)	(41,663)	5,189	-	(1,591,254)
Business - type activities capital assets, net	<u>\$ 295,680</u>	<u>\$ (10,444)</u>	<u>\$ (4,484)</u>	<u>\$ -</u>	<u>\$ 280,752</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (discretely presented component unit) (Continued):

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

GOVERNMENTAL ACTIVITIES

Administration	\$ 162,214
Instruction Services	6,094,428
Special Education	14,383
Student Personnel Services	1,817
Health Services	4,541
Student transportation	7,077
Operation of plant and equipment	681,013
Maintenance of plant	19,064
Community Services	495
Depreciation – total	<u>\$ 6,985,032</u>

Wicomico County Free Library, Inc. (discretely presented component unit):

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets not being depreciated				
Land	\$ 80,820	\$ -	\$ -	\$ 80,820
Capital assets being depreciated				
Buildings and improvements	2,417,401	-	-	2,417,401
Machinery, office furniture and equipment	1,305,470	50,397	(2,523)	1,353,344
Vehicles – bookmobile	178,634	-	-	178,634
Library collections	1,789,368	262,890	(255,413)	1,796,845
Total capital assets being depreciated	<u>5,690,873</u>	<u>313,287</u>	<u>(257,936)</u>	<u>5,746,224</u>
Total capital assets	\$ 5,771,693	\$ 313,287	\$ (257,936)	\$ 5,827,044
Accumulated depreciation	<u>(3,640,827)</u>	<u>(393,143)</u>	<u>257,936</u>	<u>(3,776,034)</u>
Governmental activities capital assets, net	<u>\$ 2,130,866</u>	<u>\$ (79,856)</u>	<u>\$ -</u>	<u>\$ 2,051,010</u>

Depreciation expense of \$393,143 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

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	Grants	\$ 125,147
	Tax Ditches	44,759
	Urban Services	640
	Civic Center	2,290,373
	Other	1,036
	Fiduciary Funds	2,229
Solid Waste	Roads	250,000
		\$ 2,714,184

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	\$ 12,479,588

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The County issued debt in the form of general obligation bonds, revenue bonds of the Wicomico County Urban Service Commission, and State loans under the Maryland Industrial and Commercial Redevelopment Fund (MICRF), and the Maryland Supplemental Public Schools Construction and Capital Improvement Loan programs. 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 was \$128,477,569. During the year, general obligation bonds totaling \$20,170,000 were issued for new projects and general obligation bonds totaling \$20,940,000 were issued for refunding.

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, 2009 amounted to \$147,887,629 after considering various debt obligations of \$102,022,722 as listed in the following schedule.

As shown on the combined statement of net assets, total debt of the primary government including all blended component units is \$104,844,676. However, based on information from the County, and as reported in the audited financial statements of the Wicomico Nursing Home, there is no recourse to the County on the mortgage payable of that facility. Therefore, the amount of that indebtedness, or \$1,193,537, is removed from total primary government debt below and is also excluded from the County's limitation on bonded debt.

The bonded indebtedness of the Wicomico County Urban Services Commission was paid in full in fiscal year 2009.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2009:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation bonds	2.0-5.9%	\$ 87,658,214	\$ 40,337,887	\$ (27,700,768)	\$ 100,295,333	\$ 8,544,404
Other loans payable						
Maryland Water						
Quality loans	4.89%	152,710	-	(35,485)	117,225	37,222
State loans	5.50%	184,934	-	(25,516)	159,418	26,948
Other loans	4.9-6.1%	14,230	-	(3,307)	10,923	3,469
Other loans payable		351,874	-	(64,308)	287,566	67,639
Total bonds and loans payable		88,010,088	40,337,887	(27,765,076)	100,582,899	8,612,043
Capital lease obligations		* 591,597		(309,597)	282,000	91,111
Governmental activity long-term liabilities, primary government		88,601,685	40,337,887	(28,074,673)	100,864,899	8,703,154
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation bonds	3.5-5.9%	1,548,362	1,014,510	(1,190,831)	1,372,041	181,173
Revenue bonds	6.0-7.0%	* 25,000	-	(25,000)	-	-
		1,573,362	1,014,510	(1,215,831)	1,372,041	181,173
Other loans payable						
Maryland Water						
Quality loans	3.5-4.9%	88,302	-	(20,520)	67,782	21,525
Mortgage payable	4.36%	1,310,013	-	(116,476)	1,193,537	116,476
		1,398,315	-	(136,996)	1,261,319	138,001
Total bonds and loans payable		2,971,677	1,014,510	(1,352,827)	2,633,360	319,174
Capital lease obligations		* 1,247,709	678,043	(579,335)	1,346,417	601,142
Business-type activity long-term liabilities		4,219,386	1,692,553	(1,932,162)	3,979,777	920,316
Less: Nursing Home		(1,310,013)	-	116,476	(1,193,537)	(116,476)
Business-type activity long-term liabilities, primary government		2,909,373	1,692,553	(1,815,686)	2,786,240	803,840
Total debt, primary government		91,511,058	42,030,440	(29,890,359)	103,651,139	9,506,994
* Debt not subject to limitation		(1,864,306)	(678,043)	913,932	(1,628,417)	(410,285)
Debt subject to limitation		\$ 89,646,752	\$ 41,352,397	\$ (28,976,427)	\$ 102,022,722	\$ 9,096,709

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 8,612,043	\$ 3,951,674	\$ 202,698	\$ 48,378
2011	9,211,767	3,539,086	240,929	39,064
2012	9,692,852	3,230,894	261,565	32,129
2013	9,816,521	2,900,043	241,361	22,961
2014	7,015,544	2,601,611	95,465	17,960
2015-2019	32,113,692	9,191,120	333,406	51,777
2020-2024	16,070,480	3,650,619	64,399	2,473
2025-2029	4,025,000	1,636,364	-	-
2030-2034	4,025,000	551,826	-	-
Total debt service	<u>\$ 100,582,899</u>	<u>\$ 31,253,237</u>	<u>\$ 1,439,823</u>	<u>\$ 214,742</u>

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.

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
2010	\$ 100,170	\$ 644,100
2011	100,170	350,281
2012	100,170	189,141
2013	-	174,007
2014	-	75,199
	<u>300,510</u>	<u>1,432,728</u>
Amounts representing interest	<u>(18,510)</u>	<u>(86,311)</u>
Present value of future minimum lease payments	<u>\$ 282,000</u>	<u>\$ 1,346,417</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 1,910,460	\$ 1,240,892	\$ 247,567	\$ 2,903,785	\$ 245,947
Capital leases	3,363,600	1,566,000	1,898,132	3,031,468	1,544,089
Total	<u>\$ 5,274,060</u>	<u>\$ 2,806,892</u>	<u>\$ 2,145,699</u>	<u>\$ 5,935,253</u>	<u>\$ 1,790,036</u>

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computers, software and several 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.

Future minimum lease payments under capital leases are as follows:

	<u>Year Ending June 30</u>	<u>Board of Education</u>
	2010	\$ 1,657,189
	2011	1,144,439
	2012	410,372
		<u>3,212,000</u>
Amounts representing interest		(180,532)
Present value of future minimum lease payments		<u>\$ 3,031,468</u>

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 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, 2005 and is currently extended on an annual basis. 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.

For the year ended June 30, 2009, the health care insurance reserve had the following activity:

Balance at July 1, 2008	\$ 1,282,764
Interest earned (net of expenditures)	<u>20,090</u>
Balance at June 30, 2009	<u>\$ 1,302,854</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

HEALTH INSURANCE RESERVES (Continued)

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 5% 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, 2008, the County's share of the consortium's settlement was a surplus of \$296,538. By contract, these proceeds can only be used for health care related expenditures. The County chose to use the settlement to fund other post retirement employee benefits for health care.

Board of Education of Wicomico County

The Board entered into a public entities health care consortium with the City of Salisbury and Wicomico County Council during fiscal year 2003. 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, 2005 and is currently extended on an annual basis. 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.

For the year ended June 30, 2009, the health care insurance reserve had the following activity:

Balance at July 1, 2008	\$	5,854,309
Subsidy for rate increase		(1,173,461)
Positive settlement – 2008		2,942,357
Interest earned (net of expenditures)		87,411
Other – transfer adjustment		58,720
Balance at June 30, 2009	\$	7,769,336

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 5% 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, 2008, the Board's share of the consortium's settlement was a surplus of \$2,942,357 which was recognized as an other financing source during the year ended June 30, 2009.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

OTHER LIABILITY

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, 2009 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 \$179,136. The balance due as of June 30, 2009 was \$868,449.

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2009, there is a small potential liability of \$2,930 that may have to be paid to the federal government during fiscal year 2010, depending on interest rates and disbursement of bond proceeds. The County has sufficient funds in the arbitrage reserve to cover this possible payment. Potential rebate liabilities exist for fiscal years 2011 and beyond; however, these liabilities are subject to change as the County spends down its bond proceeds for the projects that were bonded.

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, 2009 are as follows:

	<u>June 30, 2008</u>	<u>Increase</u>	<u>June 30, 2009</u>
Primary government:			
Governmental activities	\$ 3,063,958	\$ 536,501	\$ 3,600,459
Business-type activities	332,236	32,383	364,619
Total primary government	<u>\$ 3,396,194</u>	<u>\$ 568,884</u>	<u>\$ 3,965,078</u>
	<u>June 30, 2008</u>	<u>Increase</u>	<u>June 30, 2009</u>
Component units:			
Board of Education of Wicomico Co.	1,910,460	993,325	2,903,785
Wicomico County Free Library, Inc.	154,866	8,985	163,851
Total component units	<u>\$ 2,065,326</u>	<u>\$ 1,002,310</u>	<u>\$ 3,067,636</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PENSION AND RETIREMENT PLANS

Retirement Plan for the Employees of Wicomico County, Maryland

Plan Description

The County, through the authority of the County Commissioners, 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.

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, 2009 were \$128,796.

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2008.

Active eligible	647
Terminated with vested rights	26
Retired	113
	<hr/>
	786
	<hr/>

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County. Employees who are at least 21 years of age, have not attained the age of 65, and have successfully completed their initial probationary period 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, 2009 that amount was \$2,076,253.

Annual Pension Cost and Contribution

The County's annual pension cost (required contribution) was \$2,076,253 and the actual contribution was \$3,419,357.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2008 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, 2008 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 changes in assumptions for the year ending June 30, 2010, 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, 2009, provided by the plan sponsors and designees at market value. The changes in fiduciary net assets are for the year ended June 30, 2009 and on the cash basis.

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, 2008 was twenty-seven years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2007	2,007,397	188.2%	-
June 30, 2008	1,924,914	188.5%	-
June 30, 2009	2,076,253	164.7%	-

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, 2009

PENSION AND RETIREMENT PLANS (Continued)

Retirement Plan for Certain Employees of Wicomico County, Maryland Participating in the Maryland State Employees' Retirement System

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 9.6% 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 2009, the County's total contribution amounted to \$34,279 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.

General Plan Policies: Teachers' Retirement System and the Teachers Pension System

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, 2009 were \$10,390,453. 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, 2009

PENSION AND RETIREMENT PLANS (Continued)

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

General Plan Policies: Teachers' Retirement System and the Teachers' Pension System (Continued)

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

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2007	\$ 524,381	100%
2008	\$ 634,040	100%
2009	\$ 647,132	100%

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 of creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

PENSION AND RETIREMENT PLANS (Continued)

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

Teachers' Retirement System (Continued)

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 makes virtually all of the non-employee contributions in amounts required by State statutes.

Teachers' Pension Systems

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 creditable 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 before June 30, 1998 and 1.8% of average compensation for the three highest years of creditable service after June 30, 1998.

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.

C. Employee and Employer Contributions

Members of the Teachers' Pension Systems are required to contribute to the systems 4% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2009. 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 makes virtually all of the non-employee contributions in amounts required by State statutes.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2009 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 113,142,875
Payroll covered under the plans	\$ 94,044,621

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.

Retirement Plan For Employees At The Board of Education of Wicomico County

General Plan Policies

Other 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 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.

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. Employee 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.
- 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$	\$ 43,392	\$	\$ 208,234	\$ (177,755)	\$ (47,102)	\$	\$ 516,969	\$ 543,738
Grants	(43,392)				(40,000)				(83,392)
Capital Projects						(45,055)		311,123	266,068
Roads	(208,234)								(208,234)
Recreation	177,755	40,000					12,000	13,900	243,655
Solid Waste	47,102		45,055						92,157
Convention & Visitors Bureau					(12,000)			(19,334)	(31,334)
Civic Center	(516,969)		(311,123)		(13,900)		19,334		(822,658)
Total	<u>\$ (543,738)</u>	<u>\$ 83,392</u>	<u>\$ (266,068)</u>	<u>\$ 208,234</u>	<u>\$ (243,655)</u>	<u>\$ (92,157)</u>	<u>\$ 31,334</u>	<u>\$ 822,658</u>	<u>\$ -</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

PENSION AND RETIREMENT PLANS (Continued)

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

Significant Plan Benefits and Policies (Continued)

D. Benefit 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.

Employee's Payroll Covered Under the Plan

The employee's payroll for the year ended June 30, 2009 and payroll covered under the Plan is as follows:

Total payroll	\$ 113,142,875
Payroll covered under the plans	\$ 9,379,286

The Board's contribution and percentage of contribution are as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1998	\$ 157,937	100%
1999	\$ 101,350	100%
2000	\$ 142,195	100%
2001	\$ 242,949	100%
2002	\$ 254,142	100%
2003	\$ 418,903	89%
2004	\$ 479,018	80%
2005	\$ 460,582	92%
2006	\$ 481,038	98%
2007	\$ 446,222	100%
2008	\$ 513,514	123%
2009	\$ 529,564	102%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan (Continued)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2008
Actuarial cost method	Frozen Initial Entry Age
Amortization method	Level Percent
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered Payroll (b-a)/c
7/1/1997	\$ 8,854,185	\$ 8,597,270	\$ (256,915)	102.99%	\$ 3,944,900	(6.51%)
7/1/1998	9,544,099	8,519,778	(1,024,321)	112.02%	4,225,210	(24.24%)
7/1/1999	9,832,269	9,042,973	(789,296)	108.73%	4,725,072	(16.70%)
7/1/2000	9,801,306	9,610,680	(190,626)	101.98%	4,831,638	(3.95%)
7/1/2001	10,513,887	10,125,989	(387,898)	103.83%	5,418,831	(7.16%)
7/1/2002	9,889,757	10,932,388	1,042,631	90.46%	5,677,963	18.36%
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%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

PENSION AND RETIREMENT PLANS (Continued)

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

Annual Pension Cost and Net Pension Asset

The Board's annual pension cost and net pension asset for the current year are as follows:

Annual required contribution	\$	481,181
Adjustment to annual required contribution		35,562
Annual pension cost		516,743
Contributions made		529,564
Net pension asset at end of year	\$	(12,821)

401(a) Matching Plan

Effective July 1, 2001, the Board implemented a defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participants' contributions to the 403(b) plan. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2009, there were 1,368 eligible participants for whom the Board contributed a total of \$439,318.

Pension Plan for the Employees of the Wicomico County Free Library, Inc.

General Plan Policies

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 which are cost-sharing multiple employer public retirement funds. The State funds substantially all the employer's annual contributions. The Library has no contingent liability for funding deficits in the system should they occur.

Certain on-behalf payments are made by the State of Maryland that represents contributions to a pension plan for which the employer government is not legally responsible. The total of these on-behalf payments, which are recorded by the Library as revenues and expenditures, was \$123,950 for the year ended June 30, 2009.

All other eligible permanent employees excluded above are enrolled in the Maryland State Employees' Retirement System or the Employees' Pension System.

The Teachers' Retirement System of the State of Maryland was established on July 27, 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. 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

PENSION AND RETIREMENT PLANS (Continued)

Pension Plan for the Employees of the Wicomico County Free Library, Inc. (Continued)

General Plan Policies (Continued)

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.

Employees' and Teachers' Retirement Systems

The following is a general description of the significant plan benefits available to the members of the Employees' and 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 1/45th of a member's average final compensation (i.e., average of the member's three highest years of creditable service.) multiplied by the number of years of accumulated credible service, up to 25 years. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

B. Vested Allowance

A member terminating employment before attaining retirement age but after completing five 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 five years of creditable service are refunded their accumulated contributions plus earned interest.

C. Employee and Employer Contributions

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PENSION AND RETIREMENT PLANS (Continued)

Pension Plan for the Employees of the Wicomico County Free Library, Inc. (Continued)

Employees' and Teachers' Pension Systems

The following is a general description of the significant plan benefits available to the members of the Employees' and Teachers' Pension Systems, and the related contribution requirements:

A. Retirement Benefits

A member may retire with full benefits after completing 30 years of creditable service regardless of age, or at age 62 or older with specified years of creditable service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation (i.e., average annual earnable compensation during any three consecutive years that provide the highest average earnable compensation) and years of creditable service with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member may retire with reduced benefits after attaining age 55 and completing 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.

C. Employee and Employer Contributions

Members of the Employees' and Teachers' Pension Systems are required to contribute to the Systems 2% of their regular salaries and wages which exceed the Social Security wage base. 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 makes virtually all of the non-employee contributions in amounts required by State statutes.

Further information on the pension plans can be found in the *Comprehensive Annual Financial Report of the State Retirement and Pension System of Maryland*. Copies can be obtained by contacting the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21201-2363.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 matches 20%. The match paid in 2009 was \$111,026. 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 assets 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 combination of the reservation of fund balance and insurance.

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 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, 2009 was 15% of employee cost and 25% of dependant coverage.

For the year ended June 30, 2009 there were 140 participants receiving post-retirement health care benefits at a direct cost to the County of \$737,856.

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. The provisions of this Statement are effective for the County for periods beginning after December 15, 2007 (fiscal year 2009). The County chose to implement early in fiscal year 2008.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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.

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 two 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.

Wicomico County has chosen to continue to pay current retiree medical payments from the General Fund. Therefore, the trust will fund each year, to the extent appropriated, the Actuarially Required Contribution ("ARC").

The County contracted for a preliminary actuarial study that determined the ARC for fiscal year 2009 was \$1,882,000. The County contributed approximately 81% of the full ARC to the trust, or \$1,525,130 which included a health care rebate of \$296,538.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Annual OPEB Cost and Net OPEB Obligation

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 2008 and 2009, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

	2008	2009
Net OPEB asset at beginning of year	\$ -	\$ (1,113,706)
Annual Required Contribution	2,067,000	1,882,000
Expense (Contributions Made)	(3,180,706)	(2,262,986)
Subtotal Net OPEB Asset	(1,113,706)	(1,494,692)
Interest on Beginning Net OPEB Asset	-	(83,528)
Adjustment to ARC	-	126,169
TOTAL NET OPEB ASSET AT END OF YEAR	\$ (1,113,706)	\$ (1,452,051)

The annual OPEB Cost and Net OPEB Obligation (Asset) is determined on the basis of annual contributions. Therefore, the \$1,000,000 prefunding in fiscal year 2007 is not included in this schedule.

Schedule of Funding Progress

Based on an actuarial study performed in January 2006, as of July 1, 2005, the most recent complete actuarial date, the plan was 0% funded. At the time the actuarial accrued liability (AAL) for benefits was \$21,406,000 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$21,406,000. As of June 30, 2009, the preliminary AAL was \$26,447,400 and the actuarial value of assets based on current market value was \$5,118,475.

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.

	June 30, 2008	June 30, 2009
Actuarial Accrued Liabilities	\$ 23,802,450	\$ 26,447,400
Actuarial Value of plan assets	4,178,749	5,118,475
Unfunded AAL	\$ 19,623,701	\$ 21,328,925
Funded ratio as of actuarial value dates	17.60%	19.40%
Covered payroll	\$ 32,760,937	\$ 32,722,462
UAAL as a percentage of covered payroll	59.59%	65.20%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

A 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 January 2006 actuarial valuation and the June 30, 2009 preliminary updated AAL, the projected unit credit funding method was used. The actuarial assumptions included an investment return for discounted liabilities of 7.5%. Mortality calculations were done using the RPA 2000 Sex Distinct 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% (2006) to 5% (2013). 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	25%	75%
Subsequent year of eligibility	25%	75%
Age 62	100%	75%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

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.

The County's implicit subsidy for retiree premiums is \$608,738.

	579 Active Employees	140 Retirees	Total
Total age adjusted premiums	\$ 4,839,971	\$ 885,600	\$ 5,725,571
Less: member contributions	-	(276,862)	(276,862)
Employer retiree subsidy	<u>\$ 4,839,971</u>	<u>\$ 608,738</u>	<u>\$ 5,448,709</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. An updated valuation is underway and associated obligations will be disclosed in fiscal year 2010. 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. This statement was implemented prospectively.

For the fiscal year ended June 30, 2009, the Board funded 55% 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 retirees who had accumulated at least 15 years of service with the Board prior to their retirement (before July 17, 2007). Approximately 640 retirees, who have worked for at least five years are eligible to participate in the post-retirement benefit program.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

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 two entities are segregated within the trust.

The plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouse and dependents, if any.

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 \$3.373 million to the plan, including \$1.751 million for current claim costs (approximately 55% of total premiums); an additional \$1.558 million to pre-fund benefits and an estimated retiree subsidy of \$64,000. Plan members receiving benefits contributed approximately 45% of the total claim costs premiums, through their required contributions of \$247 per month for retirees-only coverage (if under 65), \$200 per month for retirees-only coverage (if 65 or older) and \$969 for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

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, 2009**

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 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 Asset.

Annual Required Contribution	\$ 2,601,000
Interest on Net OPEB Asset	(30,750)
Adjustment to Annual Required Contribution	43,200
Annual OPEB Cost	2,613,450
Contributions Made	(3,373,000)
Decrease in Net OPEB Asset	(759,550)
Net OPEB Asset at Beginning Of Year	(410,000)
 NET OPEB ASSET AT END OF YEAR	 \$ (1,169,550)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/07	\$ 2,432,000	70.80%	\$ 709,000
6/30/08	2,594,000	143.10%	(410,000)
6/30/09	2,613,450	129.06%	(1,169,550)

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 6.4% funded. The actuarial accrued liability for benefits was \$34,046,000 and the actuarial value of assets was \$2,181,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$31,865,000.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Funded Status and Funding Progress (Continued)

In fiscal years 2007 and 2008 the Board prefunded \$2,181,000. In fiscal year 2009, the Board made a contribution of \$1,558,000, plus \$64,000 in retiree subsidies.

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 the 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 1, 2008 actuarial valuation, 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. 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, 2008 was 30 years.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 assets date. The \$6,011,805 reported as landfill closure and post closure care cost liability at June 30, 2009, represents the cumulative amount reported to date based upon attaining 75% of the estimated capacity of open cells #1, #2, #3, and #4 and 10.8% 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 \$2,730,514 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. Though there are currently no legal restrictions on available funds, the County has approximately \$6,000,000 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. The losses associated with this theft were already recorded in prior years' expenditures when the purchases were made; therefore, no extraordinary loss was recorded in the fiscal year 2008 financial statements.

In fiscal year 2009, the County received an insurance settlement of \$250,000 related to the above loss. The Court has ordered the adjudicated perpetrators of the fraud to reimburse the County \$168,000; as of June 30, 2009, the County has received \$5,000. The total of the payments received of \$255,000, and the booked receivable for \$163,000 is included in miscellaneous revenue.

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>	
2010	\$ 25,000
2011	25,000
2012	25,000
2013	25,000
2014	<u>25,000</u>
Total	<u>\$125,000</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, 2009.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

RESERVED AND DESIGNATED FUND EQUITY

Reservations of fund equity show amounts that are not available for current appropriations or are legally restricted for specific uses. Within unreserved fund equity, designations are used to show the amounts which are intended to be used for specific purposes but are not legally restricted. The purpose for designation of fund equity of the General Fund is as follows:

Shore Transit	\$ 158,102
Self - insurance	1,011,982
Reserve for contingencies and emergencies	6,601,529
Death benefits	415,174
Arbitrage	101,649
Chamber improvements	1,377
Rate stabilization	1,302,854
OPEB	146,683
Working capital, Detention Center vending	<u>1,000</u>
	<u>\$ 9,740,350</u>

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 standard rate and remit 80% of the billings to the City. Total collections and payments for the year ended June 30, 2009 were \$365,356. The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections and payments for the districts for 2009 were \$24,020.

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 which then bills the Commission on a monthly basis. The Commission then bills the property owners.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico Nursing Home

The Wicomico Nursing Home (the "Facility") was built with the financial assistance of a grant under the Hill – Burton Program (Public Health Service Act). Federal regulations governing this program provide that the Wicomico Nursing Home must budget for the support of, and make available, uncompensated services to eligible persons meeting predefined criteria as stipulated by regulation. The Facility's cumulative obligation for uncompensated services, as determined by the Department of Health and Human Services (DHHS), is carried forward each year and is adjusted by the change in the Consumer Price Index (CPI) for medical care.

Correspondence has been received from DHHS stating that the Wicomico Nursing Home has a deficit for uncompensated services. The amount of the cumulative deficit, as determined by the DHHS and adjusted for the CPI through June 30, 2009, is approximately \$221,000. In the opinion of management, the Wicomico Nursing Home is financially unable to fulfill its uncompensated services obligation through the provision of the Hill-Burton Program services.

Based on a recent review of compliance that was conducted by the DHHS, the Facility was encouraged to request that its deficit obligation be converted to a period of time under the unrestricted availability compliance alternative (UACA) provision of the Hill-Burton regulations. This conversion would require that the Facility continue to make available uncompensated services to eligible persons, but that the obligation would have an expiration date. In March 2003, the DHHS approved the request by providing notification that it had certified that the Facility could operate under the UACA to the Hill-Burton Program uncompensated services regulations. As a result of the "deficit to time" conversion calculation, the Facility's new Hill-Burton uncompensated services obligation expires on September 2, 2011.

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 construction of a new James M. Bennett High School in the amount \$77,868,331. At June 30, 2009 \$43,789,108 had been expended. The Board also had signed contracts for the Parkside CTE roof in the amount of \$354,046 and the renovation of Bennett Middle School in the amount of \$335,285. At June 30, 2009, \$37,490 has been expended on Parkside CTE roof and \$106,188 had been expended on the renovation of Bennett Middle School.

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, 2009 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, 2009

COMMITMENTS AND CONTINGENCIES (Continued)

The Board of Education of Wicomico County (Continued)

The Board is a party in a matter pending before an Administrative Law Judge involving the Department of Health and Mental Hygiene (DHMH) and the Maryland State Department of Education (MSDE). The matter involves an audit performed by the federal Office of the Inspector General (OIG) for the period of July 1, 1999 to June 30, 2000 of the school health related billing claimed by Maryland's Medicaid Program on behalf of local school systems. In a report of findings issued on March 31, 2003, the IOG recommended that Maryland refund approximately \$20 million to the Center of Medicare & Medicaid Services (CMS). After an initial appeal made by DHMH and MSDE, the original refund request by IOG was reduced to \$16.4 million. Of the revised amount requested for refund, MSDE notified the Board on April 3, 2008 that their share of the refund was \$719,946. On April 15, 2008, the Board filed an appeal with MSDE concerning their request for refund. This appeal was based upon numerous facts as outlined by their attorney. On September 3, 2009, the Administrative Law Judge ruled in favor of the Board and ordered MSDE to recalculate the disallowance attributed to each of the local school systems involved. To date, MSDE has withheld an additional \$240,000 from Medicaid billings. The Board's attorney will be recommending that the maximum amount the Board should be forced to repay is \$402,338, an amount identified as a reasonable allocation based on statistical methods. Initial reactions from MSDE were unfavorable. The Board has designated or deferred certain amounts in anticipation of our potential unfavorable outcome as a result of the appeal process before the Administrative Law Judge - \$500,000-designated of General Fund unreserved fund balance.

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 with not have a material adverse effect on the financial position of the Board.

The Wicomico County Free Library, Inc.

The Library receives a substantial amount of its support from the state government. A significant reduction in the level of this 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 three years.

The Board of Education of Wicomico County

The Board of Education of Wicomico County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In July 1995, the Board of Education of Wicomico County 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 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 funds, this deficit may be made up from additional assessments of boards participating in fund. The Board has 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

RISK MANAGEMENT (Continued)

The Wicomico County Free Library, Inc.

The Wicomico County Free Library, Inc. is exposed to various risks of loss relating 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, Inc. 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, 2009. Therefore the Statement of Net Assets 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.

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 three years.

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, the bonds are reported as liabilities and an offsetting receivable in the accompanying financial statements. At June 30, 2009 the MICRF loan had an outstanding balance of \$159,418. At June 30, 2009 the County had a receivable from the private sector entity for \$179,880.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PRIOR PERIOD ADJUSTMENTS

Fund equity at June 30, 2008 has been restated for the governmental funds as follows:

	General Fund	Grants Fund	Capital Projects	Roads	Other Governmental Funds	Total Governmental Funds
Fund equity as previously reported	\$ 35,583,327	\$ 1,742,840	\$ 33,871,945	\$ 7,736,472	\$ 1,464,613	\$ 80,399,197
Reclassification of the Volunteer Fire Fund to a separate fiduciary fund	-	(401,760)	-	-	-	(401,760)
Reclassification of the Forest Conservation Fund to a separate fiduciary fund	-	(148,157)	-	-	-	(148,157)
Accounts receivable not reported in the proper period or not reversed in the proper period	24,988	-	(93,771)	-	-	(68,783)
Correction of deferred income from prior year	-	(50,977)	-	-	-	(50,977)
Accounts payable not reported in the proper period or not reversed in the proper period	(41,564)	-	214,709	-	8,372	181,517
Reclassification of interest earned on reserves	(47,053)	-	-	-	-	(47,053)
Other adjustments	(2)	-	5,505	-	8,434	13,937
Fund equity at June 30, 2008 as restated	<u>\$ 35,519,696</u>	<u>\$ 1,141,946</u>	<u>\$ 33,998,388</u>	<u>\$ 7,736,472</u>	<u>\$ 1,481,419</u>	<u>\$ 79,877,921</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2008 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>
Fund equity at June 30, 2008 as previously reported	\$ 16,888,305	\$ 40,479,762	\$ 2,957,648	\$ 987,659	\$ 7,533,482	\$ 1,998,623	\$ 70,845,479
Correction of deferred income from prior year	-	-	-	-	-	(137,749)	(137,749)
Correction to remove commissions mistakenly accrued in a prior year	-	-	-	-	-	(22,544)	(22,544)
Other adjustments	<u>3</u>	<u>-</u>	<u>-</u>	<u>(11,405)</u>	<u>(2)</u>	<u>(2)</u>	<u>(11,406)</u>
Fund equity at June 30, 2008 as restated	<u>\$ 16,888,308</u>	<u>\$ 40,479,762</u>	<u>\$ 2,957,648</u>	<u>\$ 976,254</u>	<u>\$ 7,533,480</u>	<u>\$ 1,838,328</u>	<u>\$ 70,673,780</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net assets at June 30, 2008 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 assets at June 30, 2008 as previously reported	\$ 67,150,953	\$ 70,845,479
Net changes to governmental funds (on previous page)	(521,276)	(171,699)
Correction to fixed assets	<u>(25,585)</u>	<u>-</u>
Fund equity at June 30, 2008 as restated	<u>\$ 66,604,092</u>	<u>\$ 70,673,780</u>

REQUIRED SUPPLEMENTARY
INFORMATION

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	<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	\$ 59,481,721	\$ 59,481,721	\$ 60,328,149	\$ 846,428
Income taxes	42,000,000	42,000,000	41,198,096	(801,904)
Other taxes	5,138,154	5,138,154	4,037,397	(1,100,757)
Licenses and permits	1,148,500	1,148,500	1,279,087	130,587
Intergovernmental	2,336,585	2,117,407	1,969,785	(147,622)
Charges for services	6,388,405	6,406,405	5,296,990	(1,109,415)
Court fines and forfeitures	41,700	41,700	90,241	48,541
Miscellaneous	205,244	205,244	606,467	401,223
Investment earnings	3,200,000	3,200,000	1,295,963	(1,904,037)
Total revenues	<u>119,940,309</u>	<u>119,739,131</u>	<u>116,102,175</u>	<u>(3,636,956)</u>
EXPENDITURES				
General government				
Legislative/council	<u>474,100</u>	<u>479,353</u>	<u>321,283</u>	<u>158,070</u>
Administrative/executive	<u>563,537</u>	<u>592,715</u>	<u>511,176</u>	<u>81,539</u>
Judicial				
Circuit Court	1,003,916	1,135,115	981,249	153,866
Orphans' Court	40,738	40,738	30,190	10,548
State's Attorney	1,801,474	1,801,474	1,710,359	91,115
Total judicial	<u>2,846,128</u>	<u>2,977,327</u>	<u>2,721,798</u>	<u>255,529</u>
Elections	<u>1,160,897</u>	<u>1,237,323</u>	<u>610,021</u>	<u>627,302</u>
Management information systems	<u>769,245</u>	<u>943,692</u>	<u>814,918</u>	<u>128,774</u>
Purchasing	<u>113,885</u>	<u>113,885</u>	<u>111,466</u>	<u>2,419</u>
Financial administration				
Finance	1,177,527	1,260,580	1,087,227	173,353
Public accountant	97,175	97,175	96,685	490
Total financial administration	<u>1,274,702</u>	<u>1,357,755</u>	<u>1,183,912</u>	<u>173,843</u>
Human resources	<u>512,502</u>	<u>518,741</u>	<u>424,670</u>	<u>94,071</u>
Legal	<u>286,080</u>	<u>308,431</u>	<u>307,201</u>	<u>1,230</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(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	332,684	332,684	309,219	23,465
Planning and zoning	1,148,388	1,246,465	868,074	378,391
Tri-County Council	383,000	383,000	383,000	-
General services	1,179,742	1,185,909	943,973	241,936
Total general government	11,044,890	11,677,280	9,510,711	2,166,569
Public safety				
Sheriff's Department	8,434,729	8,487,072	8,067,229	419,843
Emergency Services	1,803,216	1,750,535	1,618,070	132,465
Fire Department	4,326,872	4,326,872	4,189,915	136,957
Liquor License Board	179,639	220,521	214,499	6,022
Protection of animals	326,633	326,633	326,633	-
Total public safety	15,071,089	15,111,633	14,416,346	695,287
Detention Center	13,443,428	13,473,167	12,611,356	861,811
Public works				
Supervision	633,224	633,224	580,658	52,566
Weed control	3,500	3,500	2,407	1,093
Sanitation, water, and sewer	179,136	179,136	179,136	-
Total public works	815,860	815,860	762,201	53,659

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(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				
Public health	3,978,761	3,978,761	3,578,224	400,537
Mosquito control	156,735	159,053	114,943	44,110
Gypsy Moth control	3,000	3,000	1,500	1,500
Total health	<u>4,138,496</u>	<u>4,140,814</u>	<u>3,694,667</u>	<u>446,147</u>
Social services	<u>182,898</u>	<u>469,849</u>	<u>469,849</u>	<u>-</u>
Education				
Board of Education	50,204,655	50,204,655	50,204,655	-
Wicomico County Free Library	1,648,477	1,672,052	1,648,477	23,575
School Building Comm	1,000	1,000	33	967
Community College - grant	4,286,365	4,286,365	4,286,365	-
Extension Service	112,198	145,034	139,306	5,728
Total education	<u>56,252,695</u>	<u>56,309,106</u>	<u>56,278,836</u>	<u>30,270</u>
Recreation and culture	<u>1,972,663</u>	<u>1,983,663</u>	<u>1,850,757</u>	<u>132,906</u>
Miscellaneous				
Social security	1,979,595	1,979,595	1,845,776	133,819
Funded retirement plan	2,859,676	2,859,676	2,585,308	274,368
OPEB	1,056,157	1,154,136	1,154,136	-
Provision for compensated absences	-	233,005	233,005	-
Hospitalization	4,576,068	4,688,352	4,688,352	-
Unemployment compensation	37,109	101,307	78,887	22,420
Insurance - life and workmen's comp	1,628,974	1,121,508	276,641	844,867
Other fringe benefits	134,695	134,695	(56,627)	191,322
Liability insurance	750,000	750,000	483,193	266,807
Auto sinking fund	-	-	(36,571)	36,571
Total miscellaneous	<u>13,022,274</u>	<u>13,022,274</u>	<u>11,252,100</u>	<u>1,770,174</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(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	7,856,375	7,844,921	7,844,921	-
Interest	4,020,362	4,061,642	4,061,642	-
Agent fees	45,000	39,986	39,986	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total debt service	11,921,737	11,946,549	11,946,549	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	127,866,030	128,950,195	122,793,372	6,156,823
Excess of revenues under expenditures	(7,925,721)	(9,211,064)	(6,691,197)	2,519,867
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers in	346,530	346,530	316,624	(29,906)
Transfers out	(860,361)	(854,184)	(860,362)	(6,178)
Appropriations of fund equity	9,249,083	10,179,591	-	(10,179,591)
Other uses	(809,531)	(460,873)	-	460,873
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	7,925,721	9,211,064	(543,738)	(9,754,802)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ -	\$ -	\$ (7,234,935)	\$ (7,234,935)
	<hr/>	<hr/>	<hr/>	<hr/>

WICOMICO COUNTY, MARYLAND
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
JUNE 30, 2009

<u>Date of Actuarial Report</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Net Assets Expressed as a Percentage of PBO</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll</u>
7/1/1995	\$ 5,105,675	\$ 5,927,547	\$ 821,872	86.13%	\$ 4,701,095	17.48%
7/1/1996	5,753,119	7,754,617	2,001,498	74.19%	4,767,724	41.98%
7/1/1997	6,680,501	8,675,866	1,995,365	77.00%	6,351,914	31.41%
7/1/1998	7,421,560	13,133,300	5,711,740	56.51%	7,751,167	73.69%
7/1/1999	8,459,699	14,129,784	5,670,085	59.87%	9,725,665	58.30%
7/1/2000	8,863,400	15,654,123	6,790,723	56.62%	9,582,409	70.87%
7/1/2001	10,877,778	17,633,377	6,755,599	61.69%	12,301,827	54.92%
7/1/2002	11,413,790	20,085,761	8,671,971	56.83%	13,695,865	63.32%
7/1/2003	13,161,165	22,103,272	8,942,107	59.54%	15,822,985	56.51%
7/1/2004	16,427,909	24,322,330	7,894,421	67.54%	17,541,485	45.00%
7/1/2005	19,845,654	27,075,903	7,230,249	73.30%	17,194,336	42.05%
7/1/2006	25,580,172	30,318,478	4,738,306	84.37%	18,792,937	25.21%
7/1/2007	33,737,294	33,668,624	(68,670)	100.20%	22,720,183	-0.30%
7/1/2008	37,923,369	38,894,852	971,484	97.50%	24,662,097	3.94%
7/1/2009	35,099,401	38,537,760	3,438,359	91.08%	26,460,911	12.99%

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 51,493,106	\$ 54,473,099	\$ 2,979,993
Railroads and public utilities	2,766,643	2,791,398	24,755
Ordinary business corporations	7,790,672	7,751,568	(39,104)
Subtotal real and personal property taxes	<u>62,050,421</u>	<u>65,016,065</u>	<u>2,965,644</u>
Interest and fees on delinquent taxes	525,000	592,888	67,888
Subtotal real and personal property taxes after interest and fees on delinquent taxes	62,575,421	65,608,953	3,033,532
Manufacturing exemptions	(2,000,000)	(1,434,017)	565,983
Net additions and abatements	(373,700)	(178,456)	195,244
Tax credits	(35,000)	(3,076,793)	(3,041,793)
Deferred and uncollected taxes	(275,000)	(216,179)	58,821
Discounts allowed	(410,000)	(375,359)	34,641
Total real and personal property taxes	<u>59,481,721</u>	<u>60,328,149</u>	<u>846,428</u>
Income taxes	<u>42,000,000</u>	<u>41,198,096</u>	<u>(801,904)</u>
Other taxes			
Admission and amusement	175,000	145,570	(29,430)
Recordation tax	4,000,000	2,845,744	(1,154,256)
911 telephone surcharge tax	658,154	658,779	625
Trailer park	305,000	387,304	82,304
Total other taxes	<u>5,138,154</u>	<u>4,037,397</u>	<u>(1,100,757)</u>
Total taxes	<u>106,619,875</u>	<u>105,563,642</u>	<u>(1,056,233)</u>
Licenses and permits			
Alcoholic beverages	176,600	190,060	13,460
Amusement	8,400	7,135	(1,265)
Traders	66,000	70,303	4,303
Building, equipment and electrical	170,000	158,045	(11,955)
Marriage	24,000	20,140	(3,860)
Cable TV franchise	700,000	824,078	124,078
Other	3,500	9,326	5,826
Total licenses and permits	<u>1,148,500</u>	<u>1,279,087</u>	<u>130,587</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental			
Operating grants and contributions			
Disparity grant	741,624	741,624	-
Health	62,055	65,672	3,617
Public safety - detention center	91,703	91,703	-
Public safety - police	377,448	386,567	9,119
Public safety - emergency management	17,622	-	(17,622)
Charges for services and fees			
Conservation of natural resources - Chesapeake Bay Critical Areas	10,674	750	(9,924)
General government - circuit courts	144,128	133,390	(10,738)
Health	672,153	494,725	(177,428)
Payments in lieu of taxes	-	55,354	55,354
Total intergovernmental	<u>2,117,407</u>	<u>1,969,785</u>	<u>(147,622)</u>
Service charges and fees			
Bay Restoration - administrative fee	30,000	32,671	2,671
City of Salisbury - share of building expenses	198,150	233,392	35,242
City of Salisbury - share of MIS	66,435	61,944	(4,491)
City of Salisbury - share of planning & zoning	150,000	150,000	-
Detention Center - local charges	213,600	123,033	(90,567)
Detention Center - reimbursement for inmates expenses	3,133,658	2,016,502	(1,117,156)
Fire safety fees	175,000	130,456	(44,544)
Forest Conservation service charges	18,000	10,888	(7,112)
Health - mosquito control fees	90,000	78,832	(11,168)
Miscellaneous fees, rentals, and sales	13,020	43,886	30,866
Public works subdivision review fees	80,000	57,954	(22,046)
Recreation program fees	58,300	58,508	208
Room tax - administrative fee	12,105	8,532	(3,573)
Sheriff's fees	458,982	693,152	234,170
Sheriff's services - Board of Education	519,036	534,896	15,860
Enterprise funds - administrative fee	95,268	95,268	-
Wicomico County Liquor Control Board fec	396,000	476,000	80,000
Zoning and subdivision fees	698,851	491,076	(207,775)
Total service charges and fees	<u>6,406,405</u>	<u>5,296,990</u>	<u>(1,109,415)</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	<u>41,700</u>	<u>90,241</u>	<u>48,541</u>
Miscellaneous	<u>205,244</u>	<u>606,467</u>	<u>401,223</u>
Interest	<u>3,200,000</u>	<u>1,295,963</u>	<u>(1,904,037)</u>
Total revenues	<u>\$ 119,739,131</u>	<u>\$ 116,102,175</u>	<u>\$ (3,636,956)</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 115,000	\$ 112,007	\$ 2,993
Salaries - general	205,875	141,770	64,105
Operating expenditures	131,830	51,797	80,033
Capital outlay	26,648	15,709	10,939
Total legislative/council	<u>479,353</u>	<u>321,283</u>	<u>158,070</u>
Administrative/executive			
Salaries - elected office	86,387	86,387	-
Salaries - general	330,636	330,636	-
Operating expenditures	172,192	92,779	79,413
Capital outlay	3,500	1,374	2,126
Total administrative/executive	<u>592,715</u>	<u>511,176</u>	<u>81,539</u>
Judicial			
Circuit Court			
Salaries - general	569,044	568,420	624
Operating expenditures	350,164	214,410	135,754
Capital outlay	215,907	198,419	17,488
Total Circuit Court	<u>1,135,115</u>	<u>981,249</u>	<u>153,866</u>
Orphans' Court			
Salaries - general	19,200	19,200	-
Operating expenditures	21,538	10,990	10,548
Total Orphans' Court	<u>40,738</u>	<u>30,190</u>	<u>10,548</u>
State's Attorney			
Salaries - elected office	116,311	116,311	-
Salaries - general	1,543,863	1,466,781	77,082
Operating expenditures	124,258	110,226	14,032
Capital outlay	17,042	17,041	1
Total State's Attorney	<u>1,801,474</u>	<u>1,710,359</u>	<u>91,115</u>
Total judicial	<u>2,977,327</u>	<u>2,721,798</u>	<u>255,529</u>
Elections			
Salaries - general	344,480	279,502	64,978
Operating expenditures	658,615	273,497	385,118
Capital outlay	234,228	57,022	177,206
Total elections	<u>1,237,323</u>	<u>610,021</u>	<u>627,302</u>
Management information systems			
Salaries - general	364,945	359,931	5,014
Operating expenditures	164,449	110,022	54,427
Capital outlay	414,298	344,965	69,333
Total management information systems	<u>943,692</u>	<u>814,918</u>	<u>128,774</u>
Purchasing			
Salaries - general	101,125	101,010	115
Operating expenditures	10,760	8,457	2,303
Capital outlay	2,000	1,999	1
Total purchasing	<u>113,885</u>	<u>111,466</u>	<u>2,419</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (continued)			
Financial administration			
Finance			
Salaries - general	844,909	799,096	45,813
Operating expenditures	377,538	278,924	98,614
Capital outlay	38,133	9,207	28,926
Total finance	<u>1,260,580</u>	<u>1,087,227</u>	<u>173,353</u>
Public accountant			
Auditors' services	97,175	96,685	490
Total financial administration	<u>1,357,755</u>	<u>1,183,912</u>	<u>173,843</u>
Human resources			
Salaries - general	333,407	327,826	5,581
Operating expenditures	157,855	72,503	85,352
Capital outlay	27,479	24,341	3,138
Total human resources	<u>518,741</u>	<u>424,670</u>	<u>94,071</u>
Legal			
Salaries - general	207,163	206,155	1,008
Operating expenditures	81,917	81,917	-
Capital outlay	19,351	19,129	222
Total legal	<u>308,431</u>	<u>307,201</u>	<u>1,230</u>
Community promotion			
Community access channel	131,000	131,000	-
Economic development	138,475	138,475	-
Operating expenditures	42,000	18,535	23,465
Other	21,209	21,209	-
Total community promotion	<u>332,684</u>	<u>309,219</u>	<u>23,465</u>
Planning and zoning			
Salaries	802,745	707,518	95,227
Operating expenditures	437,863	154,699	283,164
Capital outlay	5,857	5,857	-
Total planning and zoning	<u>1,246,465</u>	<u>868,074</u>	<u>378,391</u>
Tri-County Council			
Operating expenditures	343,000	343,000	-
Capital outlay	40,000	40,000	-
Total Tri-County Council	<u>383,000</u>	<u>383,000</u>	<u>-</u>
General services			
Salaries	296,449	296,449	-
Operating expenditures	692,517	621,617	70,900
Capital outlay	196,943	25,907	171,036
Total general services	<u>1,185,909</u>	<u>943,973</u>	<u>241,936</u>
Total general government	<u>11,677,280</u>	<u>9,510,711</u>	<u>2,166,569</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety			
Sheriff's Department			
Salary - Sheriff	85,000	83,656	1,344
Salaries - general	6,941,136	6,654,791	286,345
Operating expenditures	837,348	733,416	103,932
Capital outlay	623,588	595,366	28,222
Total Sheriff's Department	<u>8,487,072</u>	<u>8,067,229</u>	<u>419,843</u>
Emergency Services			
Salaries - general	1,132,237	1,060,717	71,520
Operating expenditures	578,683	528,514	50,169
Capital outlay	39,615	28,839	10,776
Total Emergency Services	<u>1,750,535</u>	<u>1,618,070</u>	<u>132,465</u>
Fire Department			
City of Salisbury contributions			
Ambulance	596,000	596,000	-
Fire Department	125,000	125,000	-
Volunteer Ambulance	1,490,000	1,490,000	-
Volunteer Ambulance - insurance	75,000	58,742	16,258
Volunteer Fire Companies			
Workers' compensation insurance	171,872	79,047	92,825
LOSAP committee	75,000	69,653	5,347
Grants	1,400,000	1,400,000	-
Sinking fund	350,000	350,000	-
Hepatitis vaccine	5,000	1,475	3,525
Respiratory protection	39,000	19,998	19,002
Total Fire Department	<u>4,326,872</u>	<u>4,189,915</u>	<u>136,957</u>
Liquor License Board			
Salaries - board members and attorneys	9,747	9,747	-
Salaries - general	130,059	130,059	-
Operating expenditures	74,792	74,526	266
Capital outlay	5,923	167	5,756
Total Liquor License Board	<u>220,521</u>	<u>214,499</u>	<u>6,022</u>
Protection of animals			
Contractual services - Humane Society	326,633	326,633	-
Total public safety	<u>15,111,633</u>	<u>14,416,346</u>	<u>695,287</u>
Detention Center			
Salaries - general	8,518,742	8,263,654	255,088
Medical	2,315,390	2,106,707	208,683
Contracted food services	944,650	744,107	200,543
Operating expenditures	1,643,844	1,446,777	197,067
Capital outlay	50,541	50,111	430
Total Detention Center	<u>13,473,167</u>	<u>12,611,356</u>	<u>861,811</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Supervision			
Salaries - general	593,468	549,119	44,349
Operating expenditures	34,700	28,418	6,282
Capital outlay	5,056	3,121	1,935
Total supervision	<u>633,224</u>	<u>580,658</u>	<u>52,566</u>
Weed control			
Salaries - general	3,500	2,407	1,093
Sanitation, water, and sewer			
Fruitland water and sewer	179,136	179,136	-
Total public works	<u>815,860</u>	<u>762,201</u>	<u>53,659</u>
Health			
Public health			
Salaries - general	2,340,762	2,266,929	73,833
Operating expenditures	1,600,899	1,122,223	478,676
Capital outlay	37,100	189,072	(151,972)
Total public health	<u>3,978,761</u>	<u>3,578,224</u>	<u>400,537</u>
Mosquito control			
Salaries - general	92,885	72,576	20,309
Operating expenditures	45,168	21,739	23,429
Capital outlay	21,000	20,628	372
Total mosquito control	<u>159,053</u>	<u>114,943</u>	<u>44,110</u>
Gypsy Moth control			
Operating expenditures	3,000	1,500	1,500
Total health	<u>4,140,814</u>	<u>3,694,667</u>	<u>446,147</u>
Social services			
Teen Adult Center	61,363	61,363	-
Maintenance of Aged in Community	392,986	392,986	-
Commission on Aging	500	500	-
Life Crisis Center - grant	15,000	15,000	-
Total social services	<u>469,849</u>	<u>469,849</u>	<u>-</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	50,204,655	50,204,655	-
Wicomico County Free Library	1,672,052	1,648,477	23,575
School Building Comm	1,000	33	967
Community College - grant	4,286,365	4,286,365	-
Extension Service	145,034	139,306	5,728
Total education	<u>56,309,106</u>	<u>56,278,836</u>	<u>30,270</u>
Recreation and culture			
Salaries - general	1,344,897	1,321,447	23,450
Operating expenditures	591,766	482,969	108,797
Capital outlay	47,000	46,341	659
Total Recreation and culture	<u>1,983,663</u>	<u>1,850,757</u>	<u>132,906</u>
Miscellaneous			
Social security	1,979,595	1,845,776	133,819
Funded retirement plan	2,859,676	2,585,308	274,368
OPEB	1,154,136	1,154,136	-
Provision for compensated absences	233,005	233,005	-
Hospitalization	4,688,352	4,688,352	-
Unemployment compensation	101,307	78,887	22,420
Insurance - life and workmen's comp	1,121,508	276,641	844,867
Other fringe benefits	134,695	(56,627)	191,322
Liability insurance	750,000	483,193	266,807
Auto sinking fund	-	(36,571)	36,571
Total miscellaneous	<u>13,022,274</u>	<u>11,252,100</u>	<u>1,770,174</u>
Debt service			
Principal - County	2,103,614	2,103,614	-
Principal - Board of Education	5,741,307	5,741,307	-
Interest - County	840,639	840,639	-
Interest - Board of Education	3,221,003	3,221,003	-
Agent fees	39,986	39,986	-
Total debt service	<u>11,946,549</u>	<u>11,946,549</u>	<u>-</u>
Total expenditures	<u>\$ 128,950,195</u>	<u>\$ 122,793,372</u>	<u>\$ 6,156,823</u>

**WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Transfers in			
Wicomico County Recreation Fund	197,540	177,756	(19,784)
Wicomico County Solid Waste	148,990	138,868	(10,122)
Total transfers in	<u>346,530</u>	<u>316,624</u>	<u>(29,906)</u>
Transfers out			
Wicomico County Grants	(37,215)	(43,393)	(6,178)
Wicomico County Roads	(300,000)	(300,000)	-
Wicomico County Civic Center	(516,969)	(516,969)	-
Total transfers out	<u>(854,184)</u>	<u>(860,362)</u>	<u>(6,178)</u>
Appropriations of fund equity			
Fund balance reappropriated	9,187,028	-	(9,187,028)
Fund balance reappropriated - capital projects	286,951	-	(286,951)
Supplemental fund equity appropriations	705,612	-	(705,612)
Total appropriations of fund equity	<u>10,179,591</u>	<u>-</u>	<u>(10,179,591)</u>
Other uses			
Contingency	(460,873)	-	460,873
Total other uses	<u>(460,873)</u>	<u>-</u>	<u>460,873</u>
 Total other financing sources (uses)	 <u>\$ 9,211,064</u>	 <u>\$ (543,738)</u>	 <u>\$ (9,754,802)</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>Recreation</u>	<u>Tax Ditches</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,075,626	\$ 436,006	\$ 56,253	\$ 1,567,885
Other receivables	3,215	538	-	3,753
Inventories	4,413	-	-	4,413
Total assets	<u>1,083,254</u>	<u>436,544</u>	<u>56,253</u>	<u>1,576,051</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	44,702	1,655	11,770	58,127
Due to other funds	-	44,759	-	44,759
Deferred revenue	-	425	44,482	44,907
Total liabilities	<u>44,702</u>	<u>46,839</u>	<u>56,252</u>	<u>147,793</u>
 Fund balances:				
Reserved for				
Inventories	4,413	-	-	4,413
Encumbrances	56,418	-	-	56,418
Unreserved				
Designated for				
Fund purposes	977,721	389,705	1	1,367,427
Total fund balances	<u>1,038,552</u>	<u>389,705</u>	<u>1</u>	<u>1,428,258</u>
Total liabilities and fund balances	<u>\$ 1,083,254</u>	<u>\$ 436,544</u>	<u>\$ 56,253</u>	<u>\$ 1,576,051</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Recreation</u>	<u>Tax Ditches</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Other taxes	\$ -	\$ 85,254	\$ 38,268	\$ 123,522
Charges for services	1,168,479	-	-	1,168,479
Miscellaneous	-	4,054	-	4,054
Investment earnings	29	6,944	-	6,973
Total revenues	<u>1,168,508</u>	<u>96,252</u>	<u>38,268</u>	<u>1,303,028</u>
EXPENDITURES				
Public works	-	111,793	-	111,793
Recreation and culture	962,472	-	-	962,472
Miscellaneous	2	-	698	700
Principal	-	-	30,198	30,198
Interest and other charges	-	-	7,371	7,371
Total expenditures	<u>962,474</u>	<u>111,793</u>	<u>38,267</u>	<u>1,112,534</u>
Excess of revenues over (under) expenditures	<u>206,034</u>	<u>(15,541)</u>	<u>1</u>	<u>190,494</u>
OTHER FINANCING USES				
Transfers in	111,947	-	-	111,947
Transfers out	(355,602)	-	-	(355,602)
Total other financing uses	<u>(243,655)</u>	<u>-</u>	<u>-</u>	<u>(243,655)</u>
Net change in fund balances	(37,621)	(15,541)	1	(53,161)
Fund balances - beginning	1,076,173	405,246	-	1,481,419
Fund balances - ending	<u>\$ 1,038,552</u>	<u>\$ 389,705</u>	<u>\$ 1</u>	<u>\$ 1,428,258</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2009**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections	Percent of Levy Collected in Year of Levy
	County		State				
	Real	Personal/ Corporate	Real/ Pers/Corp				
2009	\$ 0.814	\$ 2.035	\$ 0.392	\$ 7,128,269,617	\$ 63,510,155	\$ 62,915,011	99.06%
2008	0.881	2.203	0.392	6,294,338,379	61,254,169	60,616,624	98.96%
2007	0.942	2.355	0.392	5,569,608,243	58,604,151	57,717,360	98.49%
2006	0.993	2.483	0.462	4,940,897,600	54,923,818	54,045,733	98.40%
2005	1.025	2.563	0.462	4,523,263,296	52,171,966	51,009,315	97.77%

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>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>
\$ 280,940	\$ 60,897,564	95.89%	\$ 1,742,696	2.74%
868,981	61,485,605	100.38%	1,636,960	2.67%
670,737	58,388,097	99.63%	2,082,720	3.55%
769,207	54,814,940	99.80%	2,350,718	4.28%
111,527	51,120,842	97.99%	2,493,733	4.78%

**WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2009**

Governmental activities	<u>Interest Rate</u>
General obligation bonds	
Consolidated Public Improvement Bonds of 1999	3.5 - 5.0
Public Improvement Bonds of 2001	4.0-4.9
Public Improvement Bonds of 2002	4.0-5.0
Drill Academy Bonds of 2002	3.54
Public Improvement Bonds of 2002 "A"	3.62
Public Improvement Bonds of 2003 "B"	3.98
Public Improvement Bonds of 2003 "2 nd "	2.0 - 3.85
Public Improvement Bonds of 2004 "1 st "	3.25
Public Improvement Bonds of 2004 "2 nd "	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 "	4.00
Public Improvement Bonds of 2006	4.00
Public Improvement Bonds of 2007	4.0 - 4.5
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Total general obligation bonds	
Maryland Water Quality loans	
Water Quality Bond of 1990, Series A	4.89
State loans	
Maryland Industrial and Commercial Redevelopment Fund Loan	5.50
Other loans	
City of Salisbury Inter-Agency Agreement	4.89
Capital lease obligations	
*Police Intercept Vehicles	4.04
*Ford Crown Victoria Police Vehicles	4.23
*OSSI Dispatch System	3.21
Total Governmental activity long-term liabilities	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>June 30, 2009 Balance</u>
December 1, 1999	December 1, 2019	\$ 9,561,963	\$ 479,309
February 1, 2001	February 1, 2021	7,205,000	4,325,000
February 1, 2002	February 1, 2022	6,970,000	5,170,000
July 23, 2002	July 1, 2009	430,000	67,879
November 20, 2002	November 1, 2017	2,000,000	1,320,000
January 7, 2003	January 1, 2018	5,980,000	3,915,000
December 1, 2003	December 1, 2018	3,800,000	2,695,000
February 11, 2004	February 1, 2019	4,450,000	3,192,998
September 1, 2004	September 1, 2016	5,000,000	3,320,000
December 28, 2004	January 1, 2017	500,000	364,539
April 12, 2005	March 1, 2020	3,058,000	2,398,161
November 15, 2005	November 1, 2020	8,525,000	7,160,000
October 1, 2006	October 1, 2021	11,225,000	9,725,000
December 1, 2007	December 1, 2022	16,675,000	15,825,000
December 1, 2008	December 1, 2033	20,170,000	20,170,000
June 15, 2009	December 1, 2019	20,940,000	20,167,447
		<u>126,489,963</u>	<u>100,295,333</u>
March 21, 1990	March 21, 2012	<u>864,569</u>	<u>117,225</u>
September 19, 1994	September 19, 2014	<u>400,205</u>	<u>159,418</u>
March 21, 1990	March 21, 2012	<u>76,146</u>	<u>10,923</u>
May 17, 2007	July 1, 2009	391,892	
August 28, 2006	August 28, 2009	271,219	
March 31, 2008	March 27, 2012	470,548	282,000
		<u>1,133,659</u>	<u>282,000</u>
		<u>\$ 128,964,542</u>	<u>\$ 100,864,899</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2009
(Continued)

	Interest Rate
Business-type activities	
General obligation bonds	
Public Improvement Bonds of 1999	3.5 - 5.0
Public Improvement Bonds of 2005 "1 st "	3.9
Refunding Bonds of 2009	2.5 - 3.5
Total General obligation bonds	
Maryland Water Quality loans	
Water Quality Bond of 1990, Series A	4.89
Total Maryland Water Quality loans	
Mortgage payable	
Nursing Home	4.36
Capital lease obligations	
*Suntrust Lease	3.68
*Suntrust Caterpillar 836H Compactor	3.66
*Tub Grinder	4.27
*Suntrust Amphibious Excavator	4.15
*Suntrust Caterpillar 938 Wheel Loader	3.21
*Suntrust Amphibious Excavator and Dump Truck	4.15
Total Capital lease obligations	
Total Business-type activity long-term liabilities	
Less: Nursing Home	
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, 2009 Balance</u>
December 1, 1999	December 1, 2019	\$ 313,037	\$ 15,692
April 12, 2005	March 1, 2020	440,000	341,839
June 15, 2009	December 1, 2019	1,002,944	1,014,510
		<u>1,755,981</u>	<u>1,372,041</u>
March 21, 1990	March 21, 2012	500,000	67,782
		<u>500,000</u>	<u>67,782</u>
April 1, 1999	October 1, 2004	2,180,000	1,193,537
September 6, 2005	September 6, 2010	734,236	196,392
September 1, 2005	September 1, 2010	649,089	173,554
September 21, 2005	September 21, 2010	322,753	75,881
September 1, 2006	September 1, 2011	393,000	173,127
March 27, 2008	March 27, 2013	145,237	111,080
December 30, 2008	December 30, 2013	678,043	616,383
		<u>2,922,358</u>	<u>1,346,417</u>
		7,358,339	3,979,777
		<u>(2,180,000)</u>	<u>(1,193,537)</u>
		<u>5,178,339</u>	<u>2,786,240</u>
		134,142,881	103,651,139
		<u>(3,314,250)</u>	<u>(1,628,417)</u>
		<u>\$ 130,828,631</u>	<u>\$ 102,022,722</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2009
(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	Other Loans	Total Debt Service on Debt Subject to Limitation
2010	\$ 12,799,466	\$ 35,167	\$ 4,224	\$ 12,838,857
2011	12,967,261	35,167	4,224	13,006,652
2012	13,178,049	35,167	4,224	13,217,440
2013	12,945,719	35,167	-	12,980,886
2014	9,695,412	35,167	-	9,730,579
2015	9,538,015	8,791	-	9,546,806
2016	8,619,910	-	-	8,619,910
2017	8,507,747	-	-	8,507,747
2018	7,920,111	-	-	7,920,111
2019	7,095,422	-	-	7,095,422
2020	6,254,070	-	-	6,254,070
2021	5,342,867	-	-	5,342,867
2022	4,139,110	-	-	4,139,110
2023	2,784,573	-	-	2,784,573
2024	1,267,473	-	-	1,267,473
2025	1,219,173	-	-	1,219,173
2026	1,174,093	-	-	1,174,093
2027	1,132,031	-	-	1,132,031
2028	1,089,568	-	-	1,089,568
2029	1,046,500	-	-	1,046,500
2030	1,003,030	-	-	1,003,030
2031	959,560	-	-	959,560
2032	915,688	-	-	915,688
2033	871,413	-	-	871,413
2034	827,142	-	-	827,142
Total	133,293,403	184,626	12,672	133,490,701
Less interest	31,441,022	25,208	1,749	31,467,979
Outstanding principal	<u>\$ 101,852,381</u>	<u>\$ 159,418</u>	<u>\$ 10,923</u>	<u>\$ 102,022,722</u>

WICOMICO COUNTY, MARYLAND

BALANCE SHEET
LOCAL MANAGEMENT BOARD

JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash allocation from general fund	\$ 575,797	\$ 653,968
Grants receivable	562,059	674,077
Prepaid expenses	5,000	-
Total assets	<u>\$ 1,142,856</u>	<u>\$ 1,328,045</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 1,922	\$ 363,437
Deferred revenue	775,036	603,183
Accrued payroll and taxes	13,224	19,285
Accrued compensated absences	11,616	21,971
Total liabilities	<u>801,798</u>	<u>1,007,876</u>
Fund balances		
Reserved for encumbrances	-	567,894
Unreserved fund balance	341,058	(247,725)
Total fund balances, as restated	<u>341,058</u>	<u>320,169</u>
Total liabilities and fund balance	<u>\$ 1,142,856</u>	<u>\$ 1,328,045</u>

WICOMICO COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
LOCAL MANAGEMENT BOARD

YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Revenues		
Subcabinet fund	\$ 1,745,455	\$ 1,882,145
Federal grants	493,978	867,352
Other state grants	106,937	41,752
Community grants	2,000	14,867
Total revenues	<u>2,348,370</u>	<u>2,806,116</u>
Expenditures		
Subcabinet Fund		
Administrative expenditures	263,695	316,148
Interagency Family Preservation Services	152,850	65,772
Community Service Initiative		
In-State	600	89,576
Local Coordinating Council	69,981	72,515
Local Access Training	114,847	90,290
Wraparound Funds	257,600	234,149
After School	234,977	212,062
Child Advocacy Center	30,000	29,999
Juvenile Alternatives	90,515	150,000
Family Partnership Coalition	75,936	44,481
Community Care Intensive	271,435	260,019
Other	15,928	116,598
Truancy Prevention Elementary Pilot	166,939	165,069
RDEF - Eastern Shore Training		44,800
Total subcabinet fund	<u>1,745,303</u>	<u>1,891,478</u>
Federal grants	463,007	870,327
Other state grant	152,667	50,885
Community grants	2,000	14,837
Salaries - general	8,357	5,237
Total expenditures	<u>2,371,334</u>	<u>2,832,764</u>
Excess of revenues under expenditures	<u>(22,964)</u>	<u>(26,648)</u>
Other financing sources		
Interest income	2	20,566
Interfund transfer	43,392	35,000
Miscellaneous income	459	3,645
Total other financing sources	<u>43,853</u>	<u>59,211</u>
Revenues and other financing sources over expenditures	<u>\$ 20,889</u>	<u>\$ 32,563</u>