

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2010

WICOMICO COUNTY, MARYLAND

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	3 - 5
Management's Discussion and Analysis	6 - 12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of net assets	13
Statement of activities	14
Fund Financial Statements	
Balance sheet – governmental funds	15
Reconciliation of the governmental funds balance sheet to the statement of net assets	16
Statement of revenues, expenditures, and changes in fund balances – governmental funds	17
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	18
Statement of net assets – enterprise funds	19
Statement of revenues, expenses, and changes in fund net assets – enterprise funds	20
Statement of cash flows – enterprise funds	21
Statement of fiduciary net assets	22
Statement of changes in fiduciary net assets	23
Notes to Financial Statements	24 - 86
Required Supplementary Information	
Budget and actual (with variances) – general fund	87 - 90
Schedule of pension plan funding progress	91
Supplementary Information	
Revenue detail – budget and actual – general fund	92 - 94
Expenditure detail – budget and actual – general fund	95 - 99

WICOMICO COUNTY, MARYLAND

TABLE OF CONTENTS (Continued)

Other financing sources (uses) detail – budget and actual – general fund	100
Balance sheet – other governmental funds	101
Statement of revenues, expenditures and changes in fund balances – other governmental funds	102
General fund property tax levies and collections	103
Supplementary debt information	104 – 106
Local management board	107 – 108



PKS & Company, P.A.

Pigg, Krahl & Stern

*Certified Public Accountants
& Advisors to Business*

INDEPENDENT AUDITORS' REPORT

SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JEFFREY A. MICHALIK, CPA
DANIEL M. O'CONNELL II, CPA
JAMES Y. PIGG, CPA, EMERITUS
JEFFERY D. FRUITT, CPA
JOHN M. STERN, JR., CPA

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

www.pkscpa.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12308 OCEAN GATEWAY, UNIT #5
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

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, 2010, 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 3.4% and 31.6%, respectively of the assets and revenues of business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 98.9% and 98.9%, 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, 2010, 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.

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In accordance with *Government Auditing Standards* we have also issued a report dated December 8, 2010, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension plan funding progress on pages 6 through 12 and 87 through 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming 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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December 8, 2010



PKS & Company, P.A.

Pigg, Krahl & Stern

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SUSAN P. KEEN, CPA
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DANIEL M. O'CONNELL II, CPA
JAMES Y. PIGG, CPA, EMERITUS
JEFFERY D. PRUITT, CPA
JOHN M. STERN, JR., CPA

**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***

www.pkscpa.com

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

Salisbury
1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12308 OCEAN GATEWAY, UNIT #5
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2010. 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.

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

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Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weakness, as defined above. However, we identified a deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in 10-01 on page 5 to be a significant deficiency.

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 8, 2010.

The County's response to the findings identified in our audit is described in the accompanying schedule. We did not audit the County's response and, accordingly, we express no opinion on it.

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 8, 2010

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

10-01 Inventory – Roads – This is a repeat finding from 2009.

Condition: Inventory controls are not properly working in the Roads Division. Stone inventory per physical count at June 30, 2010 was \$31,041 or 1,921 tons less than perpetual inventory records. The lack of control over stone inventory is a repeat of last year.

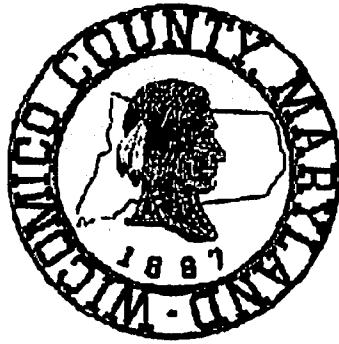
Criteria: Inventory controls should accurately monitor the receipt and consumption of goods and provide an accurate record of goods.

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

Recommendation: Again, as per last year, we recommend that physical to actual for stone inventory be tested monthly.

Management Response: We have taken steps beginning in September 2010 to ensure this is corrected, including having all aggregate be weighed and the implementation of a monthly survey estimate of the amount of aggregate in the stockpiles to be compared to the perpetual records. The existing discrepancy will be adjusted to reflect the correct amount as of June 30, 2010.

**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, 2010. Please read it in conjunction with the County's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The County's government-wide results of operations show a decrease in net assets of the primary government of about \$21 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 proceeds must be deducted from net assets because they are not income for government-wide purposes.
- Within its main operating fund ("the general fund"), the County's results of operations shows expenditures, including transfers, in excess of revenues of about \$1.8 million, primarily due to the use of budgeted carryforward. The County had projected to use about \$4.7 million of carryforward and used about \$2.5 million less than budgeted.
- General fund revenues decreased about \$2.1 million compared to last year, and general fund expenditures, including transfers, decreased about \$7.5 million compared to last year. Of the major categories of spending, only debt service and Public Works increased, the latter due to the inclusion of Shore Transit under State guidelines this year.
- The County's rainy day reserves decreased by \$463,267, which was budgeted - since the FY2010 budget was less than the FY2009 budget, the County used the amount in excess of the required 5% of general fund operating expense. The County implemented Government Accounting Standards Board Statement Number 54 in fiscal year 2010, which changed the classifications of fund balance but not the total fund balance. Total reserves remained unchanged at \$15.7 million.
- The original general fund budget for fiscal year 2010 was about \$4.9 million less than fiscal year 2009, due primarily to decreases in recordation and interest revenues, Detention Center per diem payments, and a decreased reliance on the use of fund balance. Three mid-year budget amendments were passed in fiscal year 2010 due to declining revenue estimates, primarily in income and recordation taxes, which further decreased appropriations to a total of \$8.8 million less than fiscal year 2009, or 6.8%. The budget for fiscal year 2009 was \$129.5 million; the original fiscal year 2010 budget was \$124.6 million; the final approved fiscal year 2010 budget was \$120.7 million.

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 13 and 14) 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 15 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 13 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, 2010, the County carried about \$86.7 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, 2010 and 2009:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	76.09	88.95	22.02	21.86	98.11	110.81
Capital assets	78.56	78.40	64.88	63.88	143.44	142.28
Total Assets	154.65	167.35	86.90	85.74	241.55	253.09
Current and other liabilities	24.34	29.06	2.99	3.47	27.33	32.53
Long-term liabilities	101.49	95.47	8.95	9.34	110.44	104.81
Total Liabilities	125.83	124.53	11.94	12.81	137.77	137.34
Invested in capital assets, net of related debt	-3.19	8.76	61.97	59.90	58.78	68.66
Restricted net assets	23.44	25.47	0.31	0.31	23.75	25.78
Unrestricted net assets	8.58	8.59	12.69	12.71	21.27	21.30
Total Net Assets	28.83	42.82	74.97	72.92	103.80	115.74

The Statement of Net Assets for governmental activities for the fiscal year ending June 30, 2010 shows total net assets of \$28.83 million, with an unrestricted net assets amount of \$11.75 million. The County's business-type activities show \$12.7 million in unrestricted net assets, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

The net 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, 2010 and 2009:

	(In millions of dollars) ¹					
	Governmental Activities		Business-Type Activities		Component Units	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for Services	8.79	9.65	20.70	20.54	3.93	4.34
Operating & Capital Grants	9.29	10.60	4.82	4.67	69.08	76.03
General Revenues						
Property Taxes	60.27	60.33	-	-	-	-
Local Taxes	41.63	51.63	0.83	0.97	-	-
Other (including transfers)	3.87	1.86	0.29	1.00	158.87	154.78
Total Revenues	123.85	134.07	26.64	27.18	231.88	235.15
Program Expenses						
Governmental Activities						
General Government	20.92	21.03	-	-	-	-
Public Safety	26.80	29.42	-	-	-	-
Public Works	9.08	13.98	-	-	-	-
Health & Welfare	5.54	7.54	-	-	-	-
Education	74.27	77.35	-	-	-	-
Culture and Recreation	2.92	3.53	-	-	-	-
Interest on Long-term debt	4.27	4.23	-	-	-	-
Business-Type Activities						
Solid Waste	-	-	6.34	6.54	-	-
Airport	-	-	3.74	3.70	-	-
Nursing Home	-	-	8.67	8.38	-	-
Youth & Civic Center	-	-	4.92	5.28	-	-
Other	-	-	1.74	1.81	-	-
Component Units						
Board of Education	-	-	-	-	200.00	191.17
Library (and Other)	-	-	-	-	2.86	2.90
Total Expenses	143.80	157.08	25.41	25.71	202.86	194.07
Excess Before Special Items and Transfers	(19.95)	(23.01)	1.23	1.47	29.02	41.08
Special Items	(0.06)	-	(0.07)	0.02	-	-
Transfers	(0.90)	(0.76)	0.90	0.76	-	-
Change in Net Assets	(20.91)	(23.77)	2.06	2.25	29.02	41.08
Net Assets - Beginning of year ²	49.74	66.60	72.91	70.67	200.51	159.44
Net Assets - End of year	28.83	42.83	74.97	72.92	229.53	200.52

¹ Numbers may not add due to rounding

² Net Assets – Beginning of year are restated as explained in the notes to the financial statements on pages 84-86.

Table 2 shows that the County’s total net assets decreased by about \$18.9 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)	
	2010	2009	2010	2009	2010	2009
Governmental						
General government	8.00	4.49	20.92	21.03	12.92	16.54
Public safety	4.27	5.20	26.80	29.42	22.53	24.22
Public works	1.86	3.99	9.08	13.98	7.22	9.99
Education	-	-	74.27	77.35	74.27	77.35
Others	3.97	6.57	8.46	11.08	4.49	4.51
Business Type	25.52	25.21	25.42	25.71	(0.10)	0.50

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.

Under accounting standards, revenue from a loan from Solid Waste to the General Fund does not appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances as revenue but appears as an interfund payable/receivable in these respective funds. This understates the inflow of resources to the General Fund on a budgetary basis but correctly classifies this transaction on a GAAP basis.

**REPORTING THE COUNTY’S MOST SIGNIFICANT FUNDS
FUND FINANCIAL STATEMENTS**

The County’s fund financial statements begin on page 15 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 page 15) report a combined fund balance of \$58.3 million.

The General Fund

For fiscal year 2010, the general fund’s original budgetary appropriation, or amount authorized for expenditure, was \$129.5 million. During the year, three budget amendments were passed that decreased budget authorization to \$120.7 million. The final budgetary appropriation, after adjusting for carryforward, Civic Center event and Tourism expenditures and transfers in, was about \$121.2 million. The County spent about \$115.8 million, a decrease over last year of about \$7.5 million. New revenues were less than budget and were about \$114 million, a decrease over last year of about \$2.1 million. This was caused by economically-sensitive revenues performing under budget, primarily income tax. Expenditures were less than budget but exceeded new revenues by about \$1.8 million, leading to a decrease in the general fund balance, which was budgeted.

Roads

The Roads governmental fund showed expenditures over new revenues in FY2010 of about \$2.6 million. However, this was expected as the fund had budgeted to use up to \$4 million of its fund balance. Due to State cuts in Roads funding, it is anticipated that the Roads fund will require drastic cuts and/or appropriations from the General Fund in FY2011 and beyond. For FY2011, \$2.5 million from the General Fund was appropriated to Roads. 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. While a number of these funds show operating losses, those losses include depreciation, a non-cash expense, and when non-operating revenues, including transfers, are added in, all except Solid Waste and Urban Services show a net gain.

Capital Asset and Debt Administration

At the end of fiscal year 2010, the County’s primary government had about \$143.4 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, 2010 and 2009

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land, Buildings & Infrastructure	241.30	235.35	123.07	116.73	364.37	340.28
Accumulated Depreciation	(162.74)	(156.94)	(58.19)	(52.85)	(220.93)	(199.16)
Total Capital Assets, Net of Depreciation	78.56	78.41	64.88	63.88	143.44	141.12

Major projects funded in 2010 include school projects for the Board of Education (\$12,500,000) and building projects at Wor-Wic Community College (\$3,666,687), and a contingency (\$298,313) 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 2011 capital budget called for it to spend \$35,099,417 for capital projects for school construction at the Board of Education, public works projects, and various capital improvements around the County, including activities at Elections, General Services, Recreation and Parks, WorWic Community College, and the Airport. Of this amount, \$4,123,760 was expected to be funded by the County, the balance, from other sources. \$2,590,000 was bonded, \$157,500 came from internal funds, and the County’s portion of 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 47.

Debt

At year-end, the County had about \$109 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$102 million last year – an increase of about 6.8% percent – as shown in table 5. This reflects the Council's intention to complete Bennett High School and fund high priority projects, 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds*	107.92	100.30	1.18	1.37	109.10	101.67
Loans	0.22	0.28	0.05	0.07	0.27	0.35
Leases and notes payable	0.19	0.28	0.74	1.35	0.93	1.63
Debt not subject to limitation	(0.19)	(0.28)	(0.74)	(1.35)	(0.93)	(1.63)
Totals	108.14	100.58	1.23	1.44	109.37	102.02

*Includes revenue bonds for businesslike activities

The County's general obligation bond rating in fiscal year 2010 was AA- from Fitch and Standard and Poor's, and Aa3 from Moody's. While Fitch's and Moody's ratings show an improvement over last year, their revised ratings reflect their internal move to an international rating criteria and do not represent an upgrade in their evaluation of the underlying financial strength of the County. Standard and Poor's did not change their ratings methodology and affirmed their rating.

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 \$109 million is significantly below this \$272 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 eight fiduciary funds which are reported under "Agency Funds" in the separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 – 23. 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 2011 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 6.5% from the amended budget of FY2010. Due to continued higher-than-normal unemployment and uncertain income tax revenues, the County instituted layoffs, extended furloughs, and continued freezes it had implemented the spring of 2009 for personnel and capital expenditures. There were widespread across the board budget cuts for County departments and agencies that the County partly funds, such as WorWic Community College and the Public Library. In addition, with the Board of Education's concurrence, the County applied for and received a waiver from Maintenance of Effort requirements for school system funding, and cut the Board of Education's operating appropriation by \$7.6 million.

- **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. It is anticipated that with its current projected budget deficit of \$1 to \$2 billion, State funding will be severely constrained in fiscal year 2012, 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 2011, the maximum real property tax rate could have been set at \$0.764; however, the real property tax rate was set at the fiscal year 2010 level of \$0.759 per \$100 of assessed value, and the personal property tax rate therefore also remained the same at \$1.898 per \$100.

These factors were taken into account when adopting the general fund budget for fiscal year 2011. Amounts available for appropriation in the general fund budget are \$112.8 million, a decrease of about 6.5% over the fiscal 2010 amended budget of \$120.7 million. In general, most County agencies experienced reductions. A notable exception was the Volunteer Fire and Ambulance Service, which remained at fiscal year 2010 levels. With the cuts in highway user revenues, the Roads fund will receive about \$2 million more from the County General fund in fiscal year 2011 than in fiscal year 2010 to enable it to continue critical operations, and will experience similar difficulties in FY2012. The County's general fund is also facing budget decreases in fiscal year 2012, 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 2011 results will not be significantly different from the 2010 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 2010 budget was the fourth one prepared by the Executive. The County Executive was re-elected in the November 2010 general election.

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, 2010

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
ASSETS			
Cash and cash equivalents	\$ 64,219,868	\$ 18,343,498	\$ 82,563,366
Certificates of deposit	-	200,000	200,000
Receivables	3,221,513	2,147,570	5,369,083
Internal balances	(84,745)	84,745	-
Due from other governmental agencies	5,210,212	1,137,418	6,347,630
Inventories	259,611	94,761	354,372
Deferred charges - issuance costs	480,859	7,382	488,241
Other assets	2,781,041	2,653	2,783,694
Net capital assets	78,560,733	64,881,867	143,442,600
Total assets	154,649,092	86,899,894	241,548,986
LIABILITIES			
Accounts payable and accrued expenses	9,724,307	1,193,650	10,917,957
Accrued payroll and taxes	1,122,919	560,061	1,682,980
Due to other governmental agencies	1,053,766	21,384	1,075,150
Deferred revenues	937,823	426,164	1,363,987
Long-term liabilities			
Due within one year			
Capital lease obligations	94,036	327,843	421,879
Bonds, notes, and loans payable	9,660,770	339,111	9,999,881
Accrued interest payable	770,065	7,947	778,012
Compensated absences	858,100	109,566	967,666
Due to other governmental agencies	116,828	-	116,828
Due in more than one year			
Capital lease obligations	96,954	417,042	513,996
Bonds, notes, and loans payable	98,481,591	1,828,755	100,310,346
Compensated absences	2,282,760	312,783	2,595,543
Due to other governmental agencies	624,525	-	624,525
Accrued landfill closure and post-closure costs	-	6,394,913	6,394,913
Total liabilities	125,824,444	11,939,219	137,763,663
NET ASSETS			
Invested in capital assets, net of related debt	(3,189,065)	61,969,116	58,780,051
Restricted for			
Capital projects	-	-	-
Debt service	-	222,788	222,788
Other projects	23,438,432	83,595	23,522,027
Unrestricted	8,575,281	12,685,176	21,260,457
Total net assets	\$ 28,824,648	\$ 74,960,675	\$ 103,785,323

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>
\$ 1,508,102	\$ 685,816	\$ 2,193,918	\$ 84,757,284
34,230,937	-	34,230,937	34,430,937
812,727	3,412	816,139	6,185,222
-	-	-	-
8,461,346	90,333	8,551,679	14,899,309
19,955	-	19,955	374,327
-	-	-	488,241
-	-	-	2,783,694
1,352,300	-	1,352,300	1,352,300
209,186,229	1,945,220	211,131,449	354,574,049
<u>255,571,596</u>	<u>2,724,781</u>	<u>258,296,377</u>	<u>499,845,363</u>
18,402,759	14,309	18,417,068	29,335,025
1,536,728	24,525	1,561,253	3,244,233
328,644	-	328,644	1,403,794
2,193,529	-	2,193,529	3,557,516
1,506,585	-	1,506,585	1,928,464
-	-	-	9,999,881
-	-	-	778,012
380,568	72,945	453,513	1,421,179
-	-	-	116,828
1,224,048	-	1,224,048	1,738,044
-	-	-	100,310,346
2,987,186	99,096	3,086,282	5,681,825
-	-	-	624,525
-	-	-	6,394,913
<u>28,560,047</u>	<u>210,875</u>	<u>28,770,922</u>	<u>166,534,585</u>
206,559,173	1,945,220	208,504,393	267,284,444
4,547,767	-	4,547,767	4,547,767
-	-	-	222,788
8,072,947	20,683	8,093,630	31,615,657
7,831,662	548,003	8,379,665	29,640,122
<u>\$ 227,011,549</u>	<u>\$ 2,513,906</u>	<u>\$ 229,525,455</u>	<u>\$ 333,310,778</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Primary Government Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services, Fees, Fines, Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 20,915,232	\$ 2,722,917	\$ 5,272,116	\$ -
Public safety	26,796,033	2,948,271	1,317,357	-
Public works	9,081,713	1,308,157	353,967	194,007
Health and welfare	5,541,290	584,645	1,865,222	-
Education	74,268,863	-	-	-
Culture and recreation	2,923,250	1,223,955	291,865	-
Interest on long-term debt	4,274,494	-	-	-
Total governmental activities	<u>143,800,875</u>	<u>8,787,945</u>	<u>9,100,527</u>	<u>194,007</u>
Business-type activities				
Solid Waste	6,343,093	5,715,550	-	-
Airport	3,738,198	990,417	4,792,114	-
Nursing Home	8,668,951	8,698,115	-	-
Urban Services	466,380	445,843	-	9,048
Convention & Visitors Bureau	1,238,171	655,287	18,045	-
Civic Center	4,924,815	4,142,140	-	-
Other business-type activities	37,910	54,600	-	-
Total business-type activities	<u>25,417,518</u>	<u>20,701,952</u>	<u>4,810,159</u>	<u>9,048</u>
Total primary government	<u>\$ 169,218,393</u>	<u>\$ 29,489,897</u>	<u>\$ 13,910,686</u>	<u>\$ 203,055</u>
Component Units				
Board of Education	\$ 199,999,860	\$ 3,740,716	\$ 38,706,798	\$ 29,996,468
Wicomico County Free Library	2,862,645	185,898	380,078	-
Total component units	<u>\$ 202,862,505</u>	<u>\$ 3,926,614</u>	<u>\$ 39,086,876</u>	<u>\$ 29,996,468</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</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Board of</u> <u>Education</u>	<u>Wicomico Free</u> <u>Library</u>	<u>Total</u> <u>Component</u> <u>Units</u>	<u>Total</u>
\$ (12,920,199)	-	\$ (12,920,199)	\$ -	\$ -	\$ -	\$ (12,920,199)
(22,530,405)	-	(22,530,405)	-	-	-	(22,530,405)
(7,225,582)	-	(7,225,582)	-	-	-	(7,225,582)
(3,091,423)	-	(3,091,423)	-	-	-	(3,091,423)
(74,268,863)	-	(74,268,863)	-	-	-	(74,268,863)
(1,407,430)	-	(1,407,430)	-	-	-	(1,407,430)
(4,274,494)	-	(4,274,494)	-	-	-	(4,274,494)
<u>(125,718,396)</u>	<u>-</u>	<u>(125,718,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,718,396)</u>
-	(627,543)	(627,543)	-	-	-	(627,543)
-	2,044,333	2,044,333	-	-	-	2,044,333
-	29,164	29,164	-	-	-	29,164
-	(11,489)	(11,489)	-	-	-	(11,489)
-	(564,839)	(564,839)	-	-	-	(564,839)
-	(782,675)	(782,675)	-	-	-	(782,675)
-	16,690	16,690	-	-	-	16,690
-	103,641	103,641	-	-	-	103,641
<u>\$ (125,718,396)</u>	<u>\$ 103,641</u>	<u>\$ (125,614,755)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,614,755)</u>
\$ -	\$ -	\$ -	\$ (127,555,878)	\$ -	\$ (127,555,878)	\$ (127,555,878)
-	-	-	-	(2,296,669)	(2,296,669)	(2,296,669)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127,555,878)</u>	<u>\$ (2,296,669)</u>	<u>\$ (129,852,547)</u>	<u>\$ (129,852,547)</u>
\$ 60,266,267	\$ -	\$ 60,266,267	\$ -	\$ -	\$ -	\$ 60,266,267
41,626,077	832,171	42,458,248	-	-	-	42,458,248
-	-	-	105,808,156	-	105,808,156	105,808,156
-	-	-	50,781,711	2,050,943	52,832,654	52,832,654
283,350	41,880	325,230	20,364	2,186	22,550	347,780
3,587,710	247,177	3,834,887	203,870	-	203,870	4,038,757
(61,516)	(68,848)	(130,364)	-	-	-	(130,364)
(897,361)	897,361	-	-	-	-	-
<u>104,804,527</u>	<u>1,949,741</u>	<u>106,754,268</u>	<u>156,814,101</u>	<u>2,053,129</u>	<u>158,867,230</u>	<u>265,621,498</u>
<u>(20,913,869)</u>	<u>2,053,382</u>	<u>(18,860,487)</u>	<u>29,258,223</u>	<u>(243,540)</u>	<u>29,014,683</u>	<u>10,154,196</u>
<u>49,738,517</u>	<u>72,907,293</u>	<u>122,645,810</u>	<u>197,753,326</u>	<u>2,757,446</u>	<u>200,510,772</u>	<u>323,156,582</u>
<u>\$ 28,824,648</u>	<u>\$ 74,960,675</u>	<u>\$ 103,785,323</u>	<u>\$ 227,011,549</u>	<u>\$ 2,513,906</u>	<u>\$ 229,525,455</u>	<u>\$ 333,310,778</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<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	\$ 24,753,189	\$ 1,133,457	\$ 33,898,524	\$ 3,249,543	\$ 1,185,155	\$ 64,219,868
Taxes receivable, net	1,593,079	-	-	-	-	1,593,079
Other receivables	1,003,574	3,028	-	141,969	4,306	1,152,877
Due from other funds	1,142,755	-	-	22,500	-	1,165,255
Due from other governmental agencies	3,943,091	1,267,121	-	-	-	5,210,212
Inventories	-	-	-	254,875	4,736	259,611
Prepaid expenses	157,373	33,248	-	-	-	190,621
Total assets	<u>32,593,061</u>	<u>2,436,854</u>	<u>33,898,524</u>	<u>3,668,887</u>	<u>1,194,197</u>	<u>73,791,523</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	1,842,791	322,306	7,454,895	55,923	48,392	9,724,307
Accrued payroll and taxes	1,004,565	37,586	-	64,357	16,411	1,122,919
Due to other funds	-	-	-	250,000	-	250,000
Advance from other funds	1,000,000	-	-	-	-	1,000,000
Payable to other governmental agencies	1,053,766	-	-	-	-	1,053,766
Deferred revenues	555,053	895,141	-	-	11,806	1,462,000
Accrued compensated absences	772,430	19,446	-	66,224	-	858,100
Total liabilities	<u>6,228,605</u>	<u>1,274,479</u>	<u>7,454,895</u>	<u>436,504</u>	<u>76,609</u>	<u>15,471,092</u>
Fund balances						
Nonspendable	2,370,813	33,248	-	254,875	4,736	2,663,672
Restricted	918,848	1,129,127	25,013,285	59,171	42,725	27,163,156
Committed	10,895,887	-	1,430,344	-	-	12,326,231
Assigned	1,563,650	-	-	2,918,337	1,070,127	5,552,114
Unassigned	10,615,258	-	-	-	-	10,615,258
Total fund balances	<u>26,364,456</u>	<u>1,162,375</u>	<u>26,443,629</u>	<u>3,232,383</u>	<u>1,117,588</u>	<u>58,320,431</u>
Total liabilities and fund balances	<u>\$ 32,593,061</u>	<u>\$ 2,436,854</u>	<u>\$ 33,898,524</u>	<u>\$ 3,668,887</u>	<u>\$ 1,194,197</u>	<u>\$ 73,791,523</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, 2010

Total fund balance, governmental funds	\$	58,320,431
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
 Net capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		78,560,733
 Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
Notes receivable		475,557
Provision of deferred taxes		524,177
Pre-payment of post-retirement employment benefits		2,590,420
 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		(108,142,361)
Deferred charges - issuance costs		480,859
Capital leases		(190,990)
Due to other governmental agencies		(741,353)
Accrued interest		(770,065)
Compensated absences		(2,282,760)
		(2,282,760)
 Net Assets of governmental activities in the Statement of Net Assets	 \$	 <u>28,824,648</u>

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, 2010

	<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	\$ 60,211,126	\$ -	\$ -	\$ -	\$ -	\$ 60,211,126
Income taxes	37,206,314	-	-	-	-	37,206,314
Other taxes	3,807,679	-	-	612,084	-	4,419,763
Licenses and permits	1,255,571	-	-	-	-	1,255,571
Intergovernmental	3,323,269	6,407,142	-	194,007	-	9,924,418
Charges for services	4,231,064	64,624	-	1,246,299	1,192,985	6,734,972
Fines and forfeitures	55,406	-	-	-	-	55,406
Miscellaneous	3,627,451	9,958	-	247	46,980	3,684,636
Investment earnings	277,419	1,232	-	4,684	15	283,350
Total revenues	<u>113,995,299</u>	<u>6,482,956</u>	<u>-</u>	<u>2,057,321</u>	<u>1,239,980</u>	<u>123,775,556</u>
EXPENDITURES						
Current						
General government	8,733,596	3,200,897	169,660	-	-	12,104,153
Public safety	13,503,721	693,021	-	-	-	14,196,742
Detention Center	11,479,396	-	-	-	-	11,479,396
Public works	1,009,309	310,795	937,462	4,748,932	-	7,006,498
Health and welfare	3,234,504	-	-	-	-	3,234,504
Social services	218,672	1,931,627	106,607	-	-	2,256,906
Education	55,555,704	-	18,713,159	-	-	74,268,863
Culture and recreation	1,606,703	306,655	-	-	801,065	2,714,423
Miscellaneous	7,789,437	-	-	-	46,737	7,836,174
Debt service						
Principal	8,325,882	-	-	293,625	-	8,619,507
Interest and other charges	4,026,156	-	-	127,701	-	4,153,857
Total expenditures	<u>115,483,080</u>	<u>6,442,995</u>	<u>19,926,888</u>	<u>5,170,258</u>	<u>847,802</u>	<u>147,871,023</u>
Excess (deficiency) of revenues over expenditures	<u>(1,487,781)</u>	<u>39,961</u>	<u>(19,926,888)</u>	<u>(3,112,937)</u>	<u>392,178</u>	<u>(24,095,467)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt, net	-	-	16,508,338	-	-	16,508,338
Refunding bonds issued	-	-	3,880,594	-	-	3,880,594
Payment to refunded bond escrow agent	-	-	(3,880,594)	-	-	(3,880,594)
Transfers in	581,921	33,616	-	470,574	64	1,086,175
Transfers out	(916,779)	-	(752,396)	(4,779)	(309,582)	(1,983,536)
Total other financing sources (uses)	<u>(334,858)</u>	<u>33,616</u>	<u>15,755,942</u>	<u>465,795</u>	<u>(309,518)</u>	<u>15,610,977</u>
SPECIAL ITEM						
Net change in fund balances	(1,822,639)	73,577	(4,170,946)	(2,647,142)	82,660	(8,484,490)
Fund balances, as restated - beginning	28,187,095	1,088,798	30,614,575	5,879,525	1,034,928	66,804,921
Fund balances - ending	<u>\$ 26,364,456</u>	<u>\$ 1,162,375</u>	<u>\$ 26,443,629</u>	<u>\$ 3,232,383</u>	<u>\$ 1,117,588</u>	<u>\$ 58,320,431</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, 2010

Net change in fund balances - total governmental funds \$ (8,484,490)

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 \$6,613,822 exceed capital outlays - \$3,783,925 in the current period. (2,829,897)

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. (128,302)

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. (68,814)

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. (7,753,106)

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

Taxes	55,141
Payment on other liability not reflected on governmental funds	179,136
Accrued interest not reflected on governmental funds	(157,830)
Pre-payment of post-retirement employment benefits	(2,136,660)
Bond issuance costs not reflected on governmental funds	120,441
Accrued compensated absences not reflected on governmental funds	290,512
	290,512

Change in net assets of governmental activities \$ (20,913,869)

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2010

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10,775,500	\$ 573,147	\$ 1,607,086
Certificates of deposit	-	-	200,000
Accounts receivable, net	693,852	55,229	1,090,607
Due from other funds	250,000	-	-
Due from other governmental agencies	-	1,137,418	-
Inventories	-	-	60,768
Deferred charges and prepaid expenses	-	-	7,382
Total current assets	<u>11,719,352</u>	<u>1,765,794</u>	<u>2,965,843</u>
Non-current assets			
Advance due from General Fund	1,000,000	-	-
Capital assets			
Construction in progress	30,195	7,153,416	-
Intangibles	17,993	27,500	34,011
Land	30,879	6,387,124	11,156
Land improvements	407,096	886,002	41,915
Land disposal sites - liner costs	18,798,791	-	-
Runways and ramps	-	45,574,997	-
Buildings and improvements	500,995	11,841,926	3,134,033
Equipment and furniture	2,079,724	212,142	1,507,784
Vehicles	6,444,623	1,125,210	8,990
Less accumulated depreciation	<u>(16,889,431)</u>	<u>(29,263,221)</u>	<u>(2,517,940)</u>
Net capital assets	<u>11,420,865</u>	<u>43,945,096</u>	<u>2,219,949</u>
Total non-current assets	<u>12,420,865</u>	<u>43,945,096</u>	<u>2,219,949</u>
Total assets	<u>24,140,217</u>	<u>45,710,890</u>	<u>5,185,792</u>
LIABILITIES			
Current liabilities			
Accounts payable	134,336	565,682	224,659
Accrued payroll and taxes	64,344	9,897	433,132
Due to other governmental agencies	-	-	9,051
Deferred revenues	133,711	118,922	-
Capital lease obligation	327,843	-	-
Bonds, notes, and loans payable	165,534	29,700	100,575
Accrued interest payable	3,335	366	-
Due to other funds	22,500	-	346,903
Compensated absences	60,175	12,427	-
Total current liabilities	<u>911,778</u>	<u>736,994</u>	<u>1,114,320</u>
Non-current liabilities			
Capital lease obligation	417,042	-	-
Bonds, notes, and loans payable	528,145	104,807	844,789
Compensated absences	172,130	41,885	-
Accrued landfill closure and post closure costs	6,394,913	-	-
Total non-current liabilities	<u>7,512,230</u>	<u>146,692</u>	<u>844,789</u>
Total liabilities	<u>8,424,008</u>	<u>883,686</u>	<u>1,959,109</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,982,301	43,810,589	1,274,585
Restricted for debt service	-	-	-
Restricted for other projects	-	-	-
Unrestricted	5,733,908	1,016,615	1,952,098
Total net assets	<u>\$ 15,716,209</u>	<u>\$ 44,827,204</u>	<u>\$ 3,226,683</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>
\$ 1,687,778	\$ 842,518	\$ 2,762,617	\$ 94,852	\$ 18,343,498
-	-	-	-	200,000
129,443	108,349	53,120	16,970	2,147,570
-	-	-	-	250,000
-	-	-	-	1,137,418
-	178	33,815	-	94,761
-	-	2,653	-	10,035
<u>1,817,221</u>	<u>951,045</u>	<u>2,852,205</u>	<u>111,822</u>	<u>22,183,282</u>
-	-	-	-	1,000,000
-	-	447,815	-	7,631,426
-	11,340	5,000	-	95,844
-	-	-	-	6,429,159
1,878,754	-	479,093	-	3,692,860
-	-	-	-	18,798,791
-	-	-	-	45,574,997
-	555,709	12,566,990	-	28,599,653
-	185,352	617,278	-	4,602,280
-	39,575	25,622	-	7,644,020
(1,626,306)	(282,917)	(7,607,348)	-	(58,187,163)
<u>252,448</u>	<u>509,059</u>	<u>6,534,450</u>	<u>-</u>	<u>64,881,867</u>
<u>252,448</u>	<u>509,059</u>	<u>6,534,450</u>	<u>-</u>	<u>65,881,867</u>
<u>2,069,669</u>	<u>1,460,104</u>	<u>9,386,655</u>	<u>111,822</u>	<u>88,065,149</u>
176,263	28,298	64,235	177	1,193,650
-	11,323	40,167	1,198	560,061
12,333	-	-	-	21,384
139,981	-	33,550	-	426,164
-	-	-	-	327,843
-	16,632	26,670	-	339,111
-	-	4,246	-	7,947
-	-	795,852	-	1,165,255
-	10,046	26,918	-	109,566
<u>328,577</u>	<u>66,299</u>	<u>991,638</u>	<u>1,375</u>	<u>4,150,981</u>
-	-	-	-	417,042
-	58,690	292,324	-	1,828,755
-	25,904	72,864	-	312,783
-	-	-	-	6,394,913
-	84,594	365,188	-	8,953,493
<u>328,577</u>	<u>150,893</u>	<u>1,356,826</u>	<u>1,375</u>	<u>13,104,474</u>
252,448	433,737	6,215,456	-	61,969,116
222,788	-	-	-	222,788
83,595	-	-	-	83,595
1,182,261	875,474	1,814,373	110,447	12,685,176
<u>\$ 1,741,092</u>	<u>\$ 1,309,211</u>	<u>\$ 8,029,829</u>	<u>\$ 110,447</u>	<u>\$ 74,960,675</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 5,712,350	\$ 990,417	\$ 8,623,475
Miscellaneous	3,200	-	74,640
Total operating revenues	<u>5,715,550</u>	<u>990,417</u>	<u>8,698,115</u>
OPERATING EXPENSES			
Personnel services	2,497,431	399,167	5,948,915
Contractual services	233,829	11,833	952,019
Utilities	139,405	152,481	221,679
Repairs and maintenance	863,252	185,329	82,611
Other supplies and expenses	226,178	91,356	1,068,701
Insurance claims and expenses	-	24,788	100,752
Provision for post-closure costs	383,108	-	-
Direct costs of events	-	-	-
Depreciation	1,898,638	2,869,442	159,645
Bad debts	29,221	-	115,282
Total operating expenses	<u>6,271,062</u>	<u>3,734,396</u>	<u>8,649,604</u>
Operating income (loss)	<u>(555,512)</u>	<u>(2,743,979)</u>	<u>48,511</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	23,047	155	8,591
Miscellaneous revenue	-	250	1,945
Operating grants and contributions	-	4,792,114	-
Passenger facility charges, net of fees	-	242,771	-
Interest expense	(72,031)	(3,802)	(19,347)
Total non-operating revenue (expense)	<u>(48,984)</u>	<u>5,031,488</u>	<u>(8,811)</u>
Income (loss) before contributions and transfers	<u>(604,496)</u>	<u>2,287,509</u>	<u>39,700</u>
Capital contributions	-	-	-
Transfers in	4,779	1,780	-
Transfers out	(167,412)	-	-
Special item - loss on sale of capital assets	-	-	(6,137)
Change in net assets	<u>(767,129)</u>	<u>2,289,289</u>	<u>33,563</u>
Total net assets, as restated - beginning	<u>16,483,338</u>	<u>42,537,915</u>	<u>3,193,120</u>
Total net assets - ending	<u>\$ 15,716,209</u>	<u>\$ 44,827,204</u>	<u>\$ 3,226,683</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>
\$ 439,616	\$ -	\$ 4,001,727	\$ 54,600	\$ 19,822,185
6,227	655,287	140,413	-	879,767
<u>445,843</u>	<u>655,287</u>	<u>4,142,140</u>	<u>54,600</u>	<u>20,701,952</u>
-	447,801	1,512,462	33,937	10,839,713
4,960	29,858	45,719	1,390	1,279,608
360,769	21,954	309,032	216	1,205,536
-	22,450	138,103	-	1,291,745
60,000	69,466	213,576	2,367	1,731,644
-	-	-	-	125,540
-	-	-	-	383,108
-	613,213	2,331,577	-	2,944,790
25,650	31,193	361,337	-	5,345,905
-	-	-	-	144,503
<u>451,379</u>	<u>1,235,935</u>	<u>4,911,806</u>	<u>37,910</u>	<u>25,292,092</u>
<u>(5,536)</u>	<u>(580,648)</u>	<u>(769,666)</u>	<u>16,690</u>	<u>(4,590,140)</u>
4,260	66	5,761	-	41,880
812	719,392	114,178	-	836,577
-	18,045	-	-	4,810,159
-	-	-	-	242,771
<u>(15,001)</u>	<u>(2,236)</u>	<u>(13,009)</u>	<u>-</u>	<u>(125,426)</u>
<u>(9,929)</u>	<u>735,267</u>	<u>106,930</u>	<u>-</u>	<u>5,805,961</u>
<u>(15,465)</u>	<u>154,619</u>	<u>(662,736)</u>	<u>16,690</u>	<u>1,215,821</u>
9,048	-	-	-	9,048
-	44,221	1,151,515	-	1,202,295
-	(105,300)	(32,222)	-	(304,934)
-	-	(62,711)	-	(68,848)
<u>(6,417)</u>	<u>93,540</u>	<u>393,846</u>	<u>16,690</u>	<u>2,053,382</u>
<u>1,747,509</u>	<u>1,215,671</u>	<u>7,635,983</u>	<u>93,757</u>	<u>72,907,293</u>
<u>\$ 1,741,092</u>	<u>\$ 1,309,211</u>	<u>\$ 8,029,829</u>	<u>\$ 110,447</u>	<u>\$ 74,960,675</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010**

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 5,585,412	\$ 581,684
Payments to suppliers for goods and services	(1,499,106)	(196,108)
Payments to employees for services	(2,408,375)	(385,767)
Net cash provided (used) by operating activities	1,677,931	(191)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(162,633)	1,780
(Increase) decrease in due from/advances from other funds	(977,500)	-
Donations	-	-
Net cash provided (used) by noncapital financing activities	(1,140,133)	1,780
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(68,459)	(4,316)
Acquisition and construction of capital assets	(503,346)	(4,957,464)
Principal payments on notes and bonds payable	(729,681)	(38,552)
Capital contributions	-	-
Federal and state grants	-	4,792,114
Net cash provided (used) by capital and related financing activities	(1,301,486)	(208,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	23,047	155
Other income (expense)	(7,725)	(16,500)
Net cash provided (used) by investing activities	15,322	(16,345)
NET INCREASE (DECREASE) IN CASH	(748,366)	(222,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,523,866	796,121
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,775,500	\$ 573,147
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (555,512)	\$ (2,743,979)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,898,638	2,869,442
Passenger facility charges, net of fees	-	242,771
Provision for bad debt	29,221	-
Changes in assets and liabilities:		
Accounts receivable	(94,570)	(8,339)
Other receivables	-	-
Prepaid expenses	44,434	2,386
Due to/from other governmental agencies	-	(631,077)
Inventories	-	-
Accounts payable and accrued expenses	8,180	280,693
Landfill closure and post-closure cost	383,108	-
Deferred revenues	(35,568)	(12,088)
Net cash provided (used) by operating activities	\$ 1,677,931	\$ (191)

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,624,789	\$ 434,343	\$ 622,173	\$ 4,123,695	\$ 39,775	\$ 20,011,871
(4,542,156)	(312,108)	(735,977)	(3,020,289)	(3,883)	(10,309,627)
(3,884,817)	-	(445,444)	(1,525,130)	(33,840)	(8,683,373)
<u>197,816</u>	<u>122,235</u>	<u>(559,248)</u>	<u>(421,724)</u>	<u>2,052</u>	<u>1,018,871</u>
-	-	(61,079)	1,119,293	-	897,361
15,664	(641)	-	(1,494,520)	(1,036)	(2,458,033)
350	-	-	-	-	350
<u>16,014</u>	<u>(641)</u>	<u>(61,079)</u>	<u>(375,227)</u>	<u>(1,036)</u>	<u>(1,560,322)</u>
(19,347)	(15,001)	(2,192)	(13,441)	-	(122,756)
(101,281)	-	-	(779,305)	-	(6,341,396)
(255,911)	-	(11,628)	(22,845)	-	(1,058,617)
-	9,048	-	-	-	9,048
-	-	18,045	-	-	4,810,159
<u>(376,539)</u>	<u>(5,953)</u>	<u>4,225</u>	<u>(815,591)</u>	<u>-</u>	<u>(2,703,562)</u>
8,591	4,546	66	5,761	-	42,166
(4,542)	(6,873)	717,646	114,176	-	796,182
<u>4,049</u>	<u>(2,327)</u>	<u>717,712</u>	<u>119,937</u>	<u>-</u>	<u>838,348</u>
(158,660)	113,314	101,610	(1,492,605)	1,016	(2,406,665)
<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>
<u>\$ 1,607,086</u>	<u>\$ 1,687,778</u>	<u>\$ 842,518</u>	<u>\$ 2,762,617</u>	<u>\$ 94,852</u>	<u>\$ 18,343,498</u>
\$ 48,511	\$ (5,536)	\$ (580,648)	\$ (769,666)	\$ 16,690	\$ (4,590,140)
160,774	25,650	31,193	361,337	-	5,347,034
-	-	-	-	-	242,771
115,282	-	-	-	-	144,503
61,670	(21,200)	45,665	135,074	(14,825)	103,475
-	9,700	-	-	-	9,700
-	-	-	(647)	-	46,173
(109,632)	12,333	(78,779)	1,546	-	(805,609)
(2,696)	-	(40)	7,348	-	4,612
62,523	101,288	23,361	(1,651)	187	474,581
-	-	-	-	-	383,108
(138,616)	-	-	(155,065)	-	(341,337)
<u>\$ 197,816</u>	<u>\$ 122,235</u>	<u>\$ (559,248)</u>	<u>\$ (421,724)</u>	<u>\$ 2,052</u>	<u>\$ 1,018,871</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,006,944	\$ 3,163,252	\$ 608,107	\$ 5,778,303
Investments	-	36,301,008	5,360,996	41,662,004
Accounts receivable	13,601	-	-	13,601
Due on the behalf of others	616	-	-	616
Total assets	<u>2,021,161</u>	<u>39,464,260</u>	<u>5,969,103</u>	<u>47,454,524</u>
LIABILITIES				
Accounts payable	450,528	-	-	450,528
Held on the behalf of others	1,570,633	-	-	1,570,633
Total liabilities	<u>2,021,161</u>	<u>-</u>	<u>-</u>	<u>2,021,161</u>
NET ASSETS				
Held in trust for retirement benefits	<u>-</u>	<u>39,464,260</u>	<u>5,969,103</u>	<u>45,433,363</u>
Total net assets	<u>\$ -</u>	<u>\$ 39,464,260</u>	<u>\$ 5,969,103</u>	<u>\$ 45,433,363</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, 2010

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 1,914,710	\$ 165,761	\$ 2,080,471
Investment earnings			
Net increase in fair value of investments	3,283,980	556,387	3,840,367
Interest and dividends	1,027,734	134,297	1,162,031
Gain on sale of investments	182,065	13,233	195,298
Total net investment earnings	<u>4,493,779</u>	<u>703,917</u>	<u>5,197,696</u>
Total additions	<u>6,408,489</u>	<u>869,678</u>	<u>7,278,167</u>
DEDUCTIONS			
Benefits	1,883,293	-	1,883,293
Administrative	160,337	19,050	179,387
Total deductions	<u>2,043,630</u>	<u>19,050</u>	<u>2,062,680</u>
Change in net assets	4,364,859	850,628	5,215,487
Net assets - beginning	<u>35,099,401</u>	<u>5,118,475</u>	<u>40,217,876</u>
Net assets - ending	<u>\$ 39,464,260</u>	<u>\$ 5,969,103</u>	<u>\$ 45,433,363</u>

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 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, 2010**

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, culture and recreation, grants, agricultural, and general administrative services. The County's Solid Waste, Airport, Nursing Home, Urban Services, Convention & Visitors Bureau, and Civic Center are classified as business-type activities. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net 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, 2010**

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 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, 2010**

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 agency funds for the following:

- a. Inmate Welfare Fund is used to account for assets held for and due to inmates of the Wicomico County Detention Center.
- b. Sheriff's Escrow includes monies collected from the employees to cover employee-specific celebrations that the county is not obligated to cover.
- c. Narcotics Task Force Escrow are monies confiscated in drug related activities; the funds are held until released by the court case verdict and used by the Task Force thereafter.
- d. 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.
- e. 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.
- f. Tax Ditches collects and holds the funds on behalf of the Tax Ditch Associations.
- g. Hazmat Billing is to be used to reimburse volunteer fire companies for costs of environmental cleanup due to chemical/fuel spills from vehicle accidents.
- h. Bail Bonds are to be held in a fiduciary capacity until adjudicated or for 10 years, whichever comes first.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

3. Fiduciary Funds (Continued):

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

All of these funds are custodial in nature and do not involve measurement of results of operations. With the exception of the Pension Trust Fund and Health Care Trust Fund, the County presents only a statement of fiduciary net 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.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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, 2010, the County's share was \$9,329,701.

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 2011, 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.

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 in the government-wide Statement of Net Assets 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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

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

Budgets and Budgetary Accounting

Article VII, Section 705 of the County Charter requires each department or agency financed in whole or in part by County funds to prepare and submit an annual budget. Formal budgetary accounting is employed as a management control for the County's General Fund, Roads Fund, Solid Waste Landfill Fund, the Salisbury - Ocean City: Wicomico Regional Airport, the Convention and Visitors Bureau, the Civic Center, and the Electrical Board. The annual budget for the General Fund and the Roads Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Solid Waste Landfill and Salisbury - Ocean City: Wicomico Regional Airport Funds are adopted under a basis consistent with GAAP, except that neither considers depreciation. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2010.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Activity

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

Inventories

Inventories are maintained in the Civic Center, Convention & Visitors Bureau and Recreation departments 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
Intangibles	15 – 20 years
Buildings and improvements	20 – 50 years
Runways and ramps	15 – 25 years
Vehicles	02 – 05 years
Infrastructure	15 – 35 years
Machinery, office furniture, and equipment	03 – 10 years

The County has changed its manner of accounting for certain intangible assets that do not have indefinite useful lives. The County has adopted the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for easements and software acquired in prior years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

This change is reported as a cumulative effect of a change in accounting principle in the amount of \$75,843 and is reflected as a restatement of beginning net assets invested in capital assets and an increase in capital assets in the enterprise funds and the business-type activities of the government-wide financial statements; and \$3,214,287 for the governmental activities in the government-wide financial statements. As permitted by GASB Statement No. 51, the financial statements have not been restated for prior year costs associated with internally generated computer software because the County does not have sufficient information to determine such costs.

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.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010 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, 2010, both local property taxes receivable and due to other governments included \$24,450 due on behalf of and to the City of Salisbury.

Cash Flows

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

Expenditures

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Fund Balance Classifications – Balance Sheet

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

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

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

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

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

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

General Fund

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

1. **Nonspendable:** prepaid expenses, inventories, and the Rate Stabilization Reserve for health insurance, which is governed by a contract.

Prepaid expenses	\$ 157,373
Health care rate stabilization	2,213,440
Total	<u>\$ 2,370,813</u>

2. **Restricted:** Reserve for Shore Transit, which is a County match to State funds; all encumbrances in all governmental funds are also restricted.

Encumbrances	\$ 492,233
Shore Transit	98,102
Undistributed employee health contribution	200,002
Taxable Build America Bonds interest	128,511
Total	<u>\$ 918,848</u>

3. **Committed:** The Rainy Day fund, which is set by resolution, is included in this classification. Also included is any appropriation of fund balance for subsequent year's expenditures.

Sherriff funds	\$ 30,800
Subsequent year's expenditures	4,726,825
Commitments and emergencies	6,138,262
Total	<u>\$ 10,895,887</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

General Fund (Continued)

4. Assigned: All other reserves not noted above are assigned. This includes the following:
- | | |
|-------------------------------------------|----------------------------|
| Arbitrage | \$ 94,149 |
| Working capital, Detention Center vending | 1,000 |
| Death benefits | 315,655 |
| Self-insurance | 985,369 |
| Chamber improvements | 1,377 |
| Health department collections | 80,000 |
| GIS mapping | 86,100 |
| Total | <u><u>\$ 1,563,650</u></u> |
5. Unassigned: Residual fund balance in the general fund. Unassigned fund balance is not a component of other governmental funds; all fund balances in other governmental funds are classified as either nonspendable, restricted, committed, or assigned.
- | | |
|------------|-----------------------------|
| Unassigned | <u><u>\$ 10,615,258</u></u> |
|------------|-----------------------------|

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

1. Grants Fund – the purpose of this fund is to account for grants from external sources, primarily the State of Maryland and the Federal government.
2. Capital Projects Fund – this fund is used to account for capital outlays financed from general obligation bond proceeds.
3. Roads Fund – a special revenue fund financed in the past primarily from Highway User revenues (HUR). However, the State of Maryland appropriated County HUR funds to help balance the State budget in FY2009, FY2010, and FY2011. Legislation was introduced in the FY2010 General Assembly session to begin to restore HUR funds to the Counties beginning in FY2012, but did not pass. We have good reason to believe that similar legislation will be introduced in FY2011; therefore, we have not reclassified the Roads fund into the General Fund. If HUR funding is not restored within the next few years, when the Roads fund balance is exhausted, we will reclassify the Roads fund into the General Fund in accordance with GAAP.
4. Other governmental funds include Recreation and Agricultural Tax. Recreation is used to account for recreation activities and the Agricultural Tax fund accounts for activities related to the County’s agricultural tax.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

Comparison of FY2009 to FY2010 Fund Balance Classifications (General Fund)

	FY2009	FY2010
Inventories and Prepaid Expenses	Reserved	Nonspendable
Encumbrances	Reserved	Restricted
Capital Projects	Reserved	Restricted
Subsequent Year's Expenditures (use of fund balance)	Unreserved/Designated	Committed
Rate Stabilization Reserve	Unreserved/Designated	Nonspendable
Shore Transit Reserve	Unreserved/Designated	Restricted
Rainy Day Reserve	Unreserved/Designated	Committed
All Other Reserves	Unreserved/Designated	Assigned
Unreserved and undesignated fund balance	Unreserved/Undesignated	Unassigned

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.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (Continued)

At June 30, 2010, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$82,763,366 and the bank balance was \$85,224,520. All deposits are carried at cost plus accrued interest. Of the bank balance \$80,367,283 was deposited in the MLGIP. Deposits in the MLGIP comply with Article 95 of the Annotated Code of Maryland and are rated "AAAm" by Standard and Poor's. Financial statements and additional information for the Maryland Local Government Investment Pool can be obtained at the following website: <https://www.mlgip.com/mlgip.html>.

The remaining deposits of \$4,857,237 were secured as follows:

FDIC coverage	\$ 2,793,629
Secured with collateral in County's name	1,091,227
Secured with collateral but not in County's name	<u>972,381</u>
	\$ <u>4,857,237</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, 2010 the County's bank balances other than MLGIP was not exposed to custodial credit risk as \$2,793,629 was insured by the FDIC, and the remaining \$2,063,608 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 Poor's rating of "AAAm", the highest rating available.

Concentration of Credit Risk

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

Interest Rate Risk

The County's primary concern related to cash and investments is security and liquidity and, therefore, the County has no long-term investments and has 97% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2010, the actual yield of the MLGIP is estimated to be 0.365%. The fair value of the pool is the same as the value of the pool shares.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fiduciary Funds

The County follows the investment policy as outlined previously for all of its cash held on behalf of agency funds. As of June 30, 2010, the carrying amount of the County's cash deposits held on behalf of agency funds was \$2,006,944 and the bank balance was \$1,187,648. Of the bank balance, \$554,312 was deposited in MLGIP. The remaining bank balance was secured by acceptable collateral, therefore, not exposed to custodial credit risk.

Wicomico County - Pension and Health Care Trust Fund Investments

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

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

Pension and Health Care Trust Funds are invested as follows:

	<u>Pension Trust Fund</u>		<u>Health Care Trust Fund GASB 45</u>
	<u>State Street</u>	<u>Aetna</u>	<u>State Street</u>
Cash and equivalents	\$ 2,905,463	\$ 257,789	\$ 608,107
Government bonds	3,801,663	-	532,254
Fixed income	404,493	-	95,173
Corporate bonds	8,362,876	1,972,056	1,278,771
Equities	16,717,484	-	2,543,702
Foreign assets	5,042,436	-	911,096
Total	\$ 37,234,415	\$ 2,229,845	\$ 5,969,103

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 are as follows:

			Due
\$ 273,800	AT&T Corp.	4.85%	02/15/14
\$ 108,500	Baker Hughes Inc.	6.50%	11/15/13
\$ 262,900	Baker Hughes Inc.	7.50%	11/15/18
\$ 72,900	Bank of America Corp.	4.88%	09/15/12
\$ 294,700	Berkshire Hathaway	4.63%	10/15/13
\$ 126,300	Berkshire Hathaway	5.00%	08/15/13
\$ 44,000	Brown-Forman Corp.	5.00%	02/01/14
\$ 323,700	Caterpillar Inc.	7.00%	12/15/13
\$ 161,300	Cisco Systems Inc	5.50%	02/22/16
\$ 155,100	ConocoPhillips Corp.	5.20%	05/15/18
\$ 329,900	ConocoPhillips Corp.	4.75%	02/01/14
\$ 55,600	Deere & Co	8.50%	01/09/22
\$ 199,900	Duke University	5.15%	04/01/19
\$ 200,700	Dupont El De Nemours	6.00%	07/15/18
\$ 284,800	Dupont El De Nemours	5.88%	01/15/14
\$ 196,400	General Dynamics Corp.	5.25%	02/01/14
\$ 272,900	General Electric Co.	5.25%	12/06/17
\$ 330,600	Gen Elec Cap Corp	3.00%	12/09/11
\$ 65,700	GlaxoSmithKline PLC	4.38%	04/15/14
\$ 335,100	Goldman Sachs Group	3.25%	06/15/12
\$ 28,300	GTE Corp	6.84%	04/15/18
\$ 289,100	Hewlett Packard Co.	5.50%	03/01/18
\$ 114,900	Hewlett Packard Co.	6.13%	03/01/14
\$ 334,100	Honeywell International Inc.	4.25%	03/01/13
\$ 331,000	JP Morgan Chase & Co.	3.13%	12/01/11
\$ 261,800	Medtronic Inc.	4.75%	09/15/15
\$ 149,700	Merrill Lynch & Co.	6.15%	04/25/13
\$ 256,800	Nucor Corp.	5.75%	12/01/17
\$ 298,500	Occidental Petroleum	6.75%	01/15/12
\$ 253,200	PPG Industries Inc.	6.88%	02/15/12
\$ 342,600	Pepsico Inc.	7.90%	11/01/18
\$ 305,900	Pfizer Inc.	5.35%	03/15/15
\$ 40,200	Pharmacia Corp debs	8.70%	10/15/21
\$ 133,000	Pitney Bowes Inc.	4.75%	10/01/12
\$ 446,900	Pitney Bowes Inc.	4.63%	05/15/18
\$ 228,400	Prudential Financial inc.	4.50%	07/15/13
\$ 168,300	Schering-Plough Corp.	5.30%	12/01/13
\$ 211,400	Charles Schwab Corp.	4.95%	06/01/14
\$ 74,600	Tele-Commun Inc	7.88%	08/01/13
\$ 79,100	Toyota Motor Credit Corp.	4.35%	12/15/10
\$ 160,200	United Parcel Service	5.50%	01/15/18
\$ 171,900	United Technologies Corp.	5.38%	12/15/17
\$ 250,700	Washington Post Co.	7.25%	02/01/19
\$ 330,700	Wells Fargo & Co.	3.00%	12/01/11
\$ 285,400	Wells Fargo & Co.	4.38%	01/31/13

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

Aetna:

Aetna investments consist of \$2.2 million 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 82% of the portfolio. Within the pool, the five largest corporate bond holdings and their S&P ratings at June 30, 2010 are as follows:

		<u>S&P Rating</u>
Province of Quebec	\$ 25,000,000	A+/Aa2
HSBC Holdings PLC	\$ 22,000,000	A/A3
JP Morgan Chase & Co.	\$ 22,000,000	A/A1
CitiGroup Inc.	\$ 19,000,000	A-/Baa1
Pfizer Inc.	\$ 19,000,000	AA/A1

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

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

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

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, the Board's non-pension funds were invested as follows:

	CARRYING VALUE	BANK BALANCE
Cash and cash equivalents	\$ 1,506,757	\$ 3,030,129

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

Insured	\$ 3,030,129
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	-
	<u>\$ 3,030,129</u>

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 \$34,230,937 at June 30, 2010 with \$8,072,947 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, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

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

Pension and other trust funds are invested as follows:

	State Street	AETNA	Janus	State Street (GASB 45)
Cash and equivalents	\$ 293,808	\$ 102,812	\$ 147,187	\$ 1,462,351
Government bonds	1,573,433	126,459	269,247	431,809
Commercial paper (less than 1 year)	-	100,262	-	-
Mortgage loans	-	359,843	-	-
Corporate bonds	3,373,398	1,981,191	650,941	1,147,124
Common stock	7,030,344	-	1,075,087	2,210,090
Total	\$ 12,270,983	\$ 2,670,567	\$ 2,142,462	\$ 5,251,374

Corporate bonds held at June 30, 2010 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	State Street	AETNA	Janus	State Street (GASB 45)
AAA	13.35%		29.00%	13.50%
AA+	7.47%			8.61%
AA	4.11%	17.76%	8.72%	7.11%
AA-	9.84%			7.73%
A+	6.00%	23.36%		11.61%
A	42.17%	41.12%	11.68%	45.98%
A-	2.87%	17.76%		2.25%
BBB+	12.87%			3.21%
BBB	1.32%		33.33%	
BB			12.79%	
B			4.48%	

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

State Street:

Corporate bond issues held at June 30, 2010 are as follows:

				Due
\$	70,000	AT&T Inc.	4.85%	02/15/14
\$	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
\$	100,000	JP Morgan Chase & Co.	3.13%	12/04/11
\$	100,000	Medtronic Inc.	4.75%	09/15/15
\$	60,000	Merrill Lynch & Co	6.15%	04/25/13
\$	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
\$	77,000	Prudential Financial Inc.	4.50%	07/15/13
\$	80,000	Schering Plough Corp.	5.55%	12/01/13
\$	50,000	Charles Schwab Corp	4.95%	06/01/14
\$	91,000	Tele-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
\$	75,000	Wells Fargo & Co.	4.38%	01/13/13

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

Aetna:

Corporate bond issues held at June 30, 2010 are as follows:

	<u>Percent of Holdings</u>
Province of Quebec	23.36%
HSBC Holding PLC	20.56%
JP Morgan Chase & Co.	20.56%
CitiGroup Inc.	17.76%
Pfizer Inc.	17.76%

Janus:

Corporate bond issues held at June 30, 2010 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 4.56 years	

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 financial institution. 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 \$403,599, which also approximates the fair market value at June 30, 2010. MLGIP and the Library's exposure to credit, market, or legal risk is not available.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$524,177. 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, 2010 are as follows:

	Governmental Activities				Total
	General Fund	Grants Fund	Roads	Other	
Receivables					
Taxes receivable	\$ 2,778,554	\$ -	\$ -	\$ -	\$ 2,778,554
Notes receivable	-	-	-	475,557	475,557
Due from other governmental agencies	3,943,091	1,267,121	-	-	5,210,212
Other receivables	1,003,574	3,028	141,969	4,306	1,152,877
Gross receivables	7,725,219	1,270,149	141,969	479,863	9,617,200
Less allowance for uncollectibles	1,185,475	-	-	-	1,185,475
Net total receivables	<u>\$ 6,539,744</u>	<u>\$ 1,270,149</u>	<u>\$ 141,969</u>	<u>\$ 479,863</u>	<u>\$ 8,431,725</u>

	Business-Type Activities				Total
	Solid Waste	Airport	Nursing Home	Other	
Receivables					
Accounts receivable	\$ 729,939	\$ 55,229	\$ 1,291,666	\$ 306,337	\$ 2,383,171
Due from other governmental agencies	-	1,137,418	-	-	1,137,418
Other receivables	-	-	-	1,545	1,545
Gross receivables	729,939	1,192,647	1,291,666	307,882	3,522,134
Less allowance for uncollectibles	36,087	-	201,059	-	237,146
Net total receivables	<u>\$ 693,852</u>	<u>\$ 1,192,647</u>	<u>\$ 1,090,607</u>	<u>\$ 307,882</u>	<u>\$ 3,284,988</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 6,455,892	\$ -	\$ -	\$ -	\$ 6,455,892
Intangibles	-	3,851,352	-	-	3,851,352
Construction in progress	2,824,134	1,056,906	-	(91,439)	3,789,601
Total capital assets not being depreciated	9,280,026	4,908,258	-	(91,439)	14,096,845
Capital assets being depreciated					
Infrastructure	171,915,914	493,871	(38,006)	14,675	172,386,454
Land improvements	1,127,177	17,216	-	(42,234)	1,102,159
Buildings and improvements	35,040,199	217,263	-	27,553	35,285,015
Machinery, office furniture and equipment	7,778,185	297,572	(474,405)	(9,315)	7,592,037
Intangibles	-	895,216	-	91,439	986,655
Vehicles	10,204,661	73,300	(321,556)	(103,169)	9,853,236
Total capital assets being depreciated	226,066,136	1,994,438	(833,967)	(21,051)	227,205,556
Total capital assets	\$ 235,346,162	\$ 6,902,696	\$ (833,967)	\$ (112,490)	\$ 241,302,401
Accumulated depreciation					
Infrastructure	\$ (121,268,263)	\$ (3,189,403)	\$ 38,006	\$ -	\$ (124,419,660)
Land improvements	(505,376)	(47,350)	-	19,701	(533,025)
Buildings and improvements	(21,826,145)	(1,013,473)	-	(20,087)	(22,859,705)
Machinery, office furniture and equipment	(4,956,243)	(867,776)	376,477	2,183	(5,445,359)
Intangibles	-	(757,480)	-	-	(757,480)
Vehicles	(8,385,435)	(738,340)	291,177	106,159	(8,726,439)
Total accumulated depreciation	(156,941,462)	(6,613,822)	705,660	107,956	(162,741,668)
Governmental activities capital assets, net	\$ 78,404,700	\$ 288,874	\$ (128,307)	\$ (4,534)	\$ 78,560,733

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government (Continued):

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 6,129,136	\$ 300,023	\$ -	\$ -	\$ 6,429,159
Intangibles	-	27,500	-	-	27,500
Construction in progress	2,646,803	5,136,884	(3,016)	(149,245)	7,631,426
Total capital assets not being depreciated	8,775,939	5,464,407	(3,016)	(149,245)	14,088,085
Capital assets being depreciated					
Land improvements	3,530,028	13,587	-	149,245	3,692,860
Land disposal sites - liner costs	18,480,245	318,546	-	-	18,798,791
Runways and ramps	45,575,429	-	(432)	-	45,574,997
Buildings and improvements	28,449,055	277,990	(124,367)	(3,025)	28,599,653
Machinery, office furniture and equipment	4,501,655	188,323	(56,712)	(30,986)	4,602,280
Intangibles	-	34,333	-	34,011	68,344
Vehicles	7,413,239	118,291	-	112,490	7,644,020
Total capital assets being depreciated	107,949,651	951,070	(181,511)	261,735	108,980,945
Total capital assets	\$ 116,725,590	\$ 6,415,477	\$ (184,527)	\$ 112,490	\$ 123,069,030
Accumulated depreciation					
Land improvements	\$ (1,885,667)	\$ (87,169)	\$ -	\$ (431)	\$ (1,973,267)
Land disposal sites - liner costs	(8,900,292)	(803,472)	-	-	(9,703,764)
Runways and ramps	(17,706,443)	(2,608,718)	431	-	(20,314,730)
Buildings and improvements	(16,240,486)	(592,457)	57,138	1,982	(16,773,823)
Machinery, office furniture and equipment	(3,185,568)	(279,959)	55,341	89,689	(3,320,497)
Intangibles	-	(13,741)	-	(31,741)	(45,482)
Vehicles	(4,927,756)	(960,389)	-	(167,455)	(6,055,600)
Total accumulated depreciation	(52,846,212)	(5,345,905)	112,910	(107,956)	(58,187,163)
Business-type activities capital assets, net	\$ 63,879,378	\$ 1,069,572	\$ (71,617)	\$ 4,534	\$ 64,881,867

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 1,138,152
Public Safety	1,523,178
Public Works	3,559,413
Health & Welfare	49,880
Culture & Recreation	343,199
Total depreciation expense – governmental activities	<u>\$ 6,613,822</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 1,095,166
Solid Waste – land disposal sites	803,472
Salisbury – Ocean City: Wicomico Regional Airport	2,869,442
Nursing Home	159,645
Urban Services	25,650
Convention & Visitors Bureau	31,193
Civic Center	361,337
Total depreciation expense – business-type activities	<u>\$ 5,345,905</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 2,024,109	\$ 1,955,631	\$ -	\$ 100,000	\$ 4,079,740
Construction in progress	44,246,641	26,026,559	-	(639,987)	69,633,213
Total capital assets not being depreciated	<u>46,270,750</u>	<u>27,982,190</u>	<u>-</u>	<u>(539,987)</u>	<u>73,712,953</u>
Capital assets being depreciated					
Buildings and improvements	180,776,957	38,170	(275,252)	539,987	181,079,862
Furniture and equipment	21,808,279	3,716,506	(228,239)	-	25,296,546
Vehicles	1,336,683	5,042	(26,969)	-	1,314,756
Total capital assets being depreciated	<u>203,921,919</u>	<u>3,759,718</u>	<u>(530,460)</u>	<u>539,987</u>	<u>207,691,164</u>
Total capital assets	<u>\$ 250,192,669</u>	<u>\$ 31,741,908</u>	<u>\$ (530,460)</u>	<u>\$ -</u>	<u>\$ 281,404,117</u>
Less accumulated depreciation					
Buildings and improvements	(52,767,578)	(4,189,908)	235,030	-	(56,722,456)
Furniture and equipment	(12,400,834)	(2,872,560)	198,453	-	(15,074,941)
Vehicles	(829,920)	(110,665)	26,969	-	(913,616)
Total accumulated depreciation	<u>(65,998,332)</u>	<u>(7,173,133)</u>	<u>460,452</u>	<u>-</u>	<u>(72,711,013)</u>
Total capital assets, being depreciated, net	<u>137,923,587</u>	<u>(3,413,415)</u>	<u>(70,008)</u>	<u>539,987</u>	<u>134,980,151</u>
Governmental activities capital assets, net	<u>\$ 184,194,337</u>	<u>\$ 24,568,775</u>	<u>\$ (70,008)</u>	<u>\$ -</u>	<u>\$ 208,693,104</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 1,872,006	\$ 289,083	\$ (53,567)	\$ -	\$ 2,107,522
Accumulated depreciation	(1,591,254)	(74,602)	51,459	-	(1,614,397)
Business-type activities capital assets, net	<u>\$ 280,752</u>	<u>\$ 214,481</u>	<u>\$ (2,108)</u>	<u>\$ -</u>	<u>\$ 493,125</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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:

<u>GOVERNMENTAL ACTIVITIES</u>	
Administration	\$ 156,606
Instruction Services	6,281,079
Special Education	18,671
Student Personnel Services	1,391
Health Services	5,481
Student transportation	15,678
Operation of plant and equipment	672,093
Maintenance of plant	21,638
Community Services	496
Depreciation – total	\$ 7,173,133

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<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	1,353,344	83,619	(49,500)	1,387,463
Vehicles – bookmobile	178,634	-	-	178,634
Library collections	1,796,845	209,453	(265,510)	1,740,788
Total capital assets being depreciated	5,746,224	293,072	(315,010)	5,724,286
Total capital assets	\$ 5,827,044	\$ 293,072	\$ (315,010)	\$ 5,805,106
Accumulated depreciation	(3,776,034)	(398,862)	315,010	(3,859,886)
Governmental activities capital assets, net	\$ 2,051,010	\$ (105,790)	\$ -	\$ 1,945,220

Depreciation and amortization expense of \$398,862 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

INTERFUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

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

During the year ended June 30, 2010, the Solid Waste fund advanced \$1,000,000 to the General Fund requiring annual payments equal to the interest accrued on the outstanding principal beginning on June 30, 2011 and continuing until June 30, 2014, at which time any accrued and unpaid interest as of June 30, 2014, will be due in full.

Commencing on July 1, 2014, this loan will be converted to an amortizing term at the same rate of interest as follows. The borrower will make annual payments in an amount sufficient to amortize the indebtedness hereunder over a three-year period. Principal and interest payments will commence on June 30, 2015 and continue each year until the entire indebtedness is fully paid, except that any remaining indebtedness, if not sooner paid, will be due and payable on June 30, 2017.

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government		
General	Civic Center	\$ 795,852
	Nursing Home	346,903
Roads	Solid Waste	22,500
Solid Waste	Roads	250,000
		<u>\$ 1,415,255</u>

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit – Board of Education	Primary government – capital projects	<u>\$ 4,156,437</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

INTERFUND TRANSACTIONS

A summary of interfund transfers follows:

	General Fund	Grants	Capital Projects	Roads	Recreation	Solid Waste	Airport	Convention & Visitors Bureau	Civic Center	Total
General Fund	\$ -	\$ 30,840	\$ (54,366)	\$ 470,574	\$ (275,843)	\$ (167,412)	\$ -	\$ (84,300)	\$ 415,365	\$ 334,858
Grants	(30,840)	-	-	-	(2,776)	-	-	-	-	(33,616)
Capital Projects	54,366	-	-	-	-	-	1,780	-	696,250	752,396
Roads	(470,574)	-	-	-	-	4,779	-	-	-	(465,795)
Recreation	275,843	2,776	-	-	-	-	-	12,000	18,899	309,518
Solid Waste	167,412	-	-	(4,779)	-	-	-	-	-	162,633
Airport	-	-	(1,780)	-	-	-	-	-	-	(1,780)
Convention & Visitors Bureau	-	-	-	-	-	-	-	-	-	-
Visitors Bureau	84,300	-	-	-	(12,000)	-	-	-	-	61,079
Civic Center	(415,365)	-	(696,250)	-	(18,899)	-	-	11,221	-	(1,119,293)
Total	\$ (334,858)	\$ 33,616	\$ (752,396)	\$ 465,795	\$ (309,518)	\$ (162,633)	\$ 1,780	\$ (61,079)	\$ 1,119,293	\$ -

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$137,183,000. During the year, general obligation bonds totaling \$16,465,000 were issued for new projects and general obligation bonds totaling \$3,780,000 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, 2010 amounted to \$162,656,348 after considering various debt obligations of \$109,364,863 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 \$111,246,102. 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 \$945,364, is removed from total primary government debt below and is also excluded from the County's limitation on bonded debt.

On December 16, 2009, the County issued \$3.78 million in General Obligation Bonds with an average interest rate of 3.5 percent to advance refund \$3.6 million of outstanding 2001 Series bonds with an average interest rate of 4.45 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 series bonds. As a result, the 2001 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets, except for the one payment owed by the County on February 11, 2011 for \$360,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$275,594. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method. The County completed the advance refunding to reduce its total debt service payments over the next 12 years by \$236,748 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$227,458.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2010:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.0-5.9%	\$ 100,064,951	\$ 20,245,000	\$ (12,175,808)	\$ 108,134,143	\$ 9,589,628
Less: deferred amounts - refunding		(442,615)	(275,594)	67,228	(650,981)	-
Add issuance premiums		341,205	143,932	(45,865)	439,272	-
Total bonds payable		<u>99,963,541</u>	<u>20,113,338</u>	<u>(12,154,445)</u>	<u>107,922,434</u>	<u>9,589,628</u>
Other loans payable						
Maryland Water						
Quality loans	4.89%	117,225	-	(37,222)	80,003	39,043
State loans	5.50%	159,418	-	(26,948)	132,470	28,461
Other loans	4.9-6.1%	10,923	-	(3,469)	7,454	3,638
Other loans payable		<u>287,566</u>	<u>-</u>	<u>(67,639)</u>	<u>219,927</u>	<u>71,142</u>
Total bonds and loans payable		100,251,107	20,113,338	(12,222,084)	108,142,361	9,660,770
Capital lease obligations	*	<u>282,000</u>	<u>129,479</u>	<u>(220,489)</u>	<u>190,990</u>	<u>94,036</u>
Governmental activity long-term liabilities, primary government		<u>100,533,107</u>	<u>20,242,817</u>	<u>(12,442,573)</u>	<u>108,333,351</u>	<u>9,754,806</u>
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	3.5-5.9%	1,360,476	-	(179,649)	1,180,827	215,958
Less: deferred amounts - refunding		(22,219)	-	2,222	(19,997)	-
Add issuance premiums		17,128	-	(1,714)	15,414	-
Total bonds payable		<u>1,355,385</u>	<u>-</u>	<u>(179,141)</u>	<u>1,176,244</u>	<u>215,958</u>
Other loans payable						
Maryland Water						
Quality loans	3.5-4.9%	67,782	-	(21,524)	46,258	22,578
Mortgage payable	4.36%	1,193,537	-	(248,173)	945,364	100,575
Other loans payable		<u>1,261,319</u>	<u>-</u>	<u>(269,697)</u>	<u>991,622</u>	<u>123,153</u>
Total bonds and loans payable		2,616,704	-	(448,838)	2,167,866	339,111
Capital lease obligations	*	<u>1,346,417</u>	<u>-</u>	<u>(601,532)</u>	<u>744,885</u>	<u>327,843</u>
Business-type activity						
long-term liabilities		3,963,121	-	(1,050,370)	2,912,751	666,954
Less: Nursing Home		<u>(1,193,537)</u>	<u>-</u>	<u>248,173</u>	<u>(945,364)</u>	<u>(100,575)</u>
Business-type activity long-term liabilities, primary government		<u>2,769,584</u>	<u>-</u>	<u>(802,197)</u>	<u>1,967,387</u>	<u>566,379</u>
Total debt, primary government		103,302,691	20,242,817	(13,244,770)	110,300,738	10,321,185
* Debt not subject to limitation		(1,628,417)	(129,479)	822,021	(935,875)	(421,879)
Debt subject to limitation	\$	<u>\$ 101,674,274</u>	\$	<u>\$ (12,422,749)</u>	\$	<u>\$ 109,364,863</u>
			\$	<u>20,113,338</u>	\$	<u>9,899,306</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 9,589,628	\$ 4,417,230	\$ 215,958	\$ 33,855
2012	9,979,782	3,939,507	236,927	27,835
2013	10,286,378	3,614,672	240,562	20,960
2014	7,483,336	3,312,241	94,948	15,685
2015	7,589,102	3,051,045	94,647	12,588
2016-2020	32,780,921	11,282,823	297,785	29,376
2021-2025	14,890,000	5,826,969	-	-
2026-2030	7,755,000	3,364,486	-	-
2031-2035	7,779,996	1,070,458	-	-
Total debt service	\$ 108,134,143	\$ 39,879,431	\$ 1,180,827	\$ 140,299

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 71,142	\$ 13,572	\$ 22,578	\$ 3,632
2012	74,829	9,886	23,680	2,527
2013	31,747	3,420	-	-
2014	33,530	1,637	-	-
2015	8,679	119	-	-
Total debt service	\$ 219,927	\$ 28,634	\$ 46,258	\$ 6,159

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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
2011	\$ 100,170	\$ 350,845
2012	100,170	189,116
2013	-	174,008
2014	-	75,199
	<u>200,340</u>	<u>789,168</u>
Amounts representing interest	(9,350)	(44,283)
Present value of future minimum lease payments	<u>\$ 190,990</u>	<u>\$ 744,885</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued compensated absences	\$ 2,903,785	\$ 744,172	\$ 280,203	\$ 3,367,754	\$ 380,568
Capital leases	3,031,468	1,694,633	1,995,468	2,730,633	1,506,585
Total	<u>\$ 5,935,253</u>	<u>\$ 2,438,805</u>	<u>\$ 2,275,671</u>	<u>\$ 6,098,387</u>	<u>\$ 1,887,153</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:

Year Ending June 30	Board of Education
2011	\$ 1,595,819
2012	861,752
2013	411,569
	<u>2,869,140</u>
Amounts representing interest	(138,507)
Present value of future minimum lease payments	<u>\$ 2,730,633</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, the health care insurance reserve had the following activity:

Balance at July 1, 2009	\$	1,302,854
Interest earned (net of expenditures)		2,991
Health care rebates		907,595
Balance at June 30, 2010	\$	2,213,440

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, 2009, the County's share of the consortium's settlement was a surplus of \$1,127,158. By contract, these proceeds can only be used for health care related expenditures. The County chose to use the settlement to give its employees a health care holiday from paying premiums in fiscal year 2011 (to the extent of employee contributions attributable to the settlement) and to pay part of the County share of health care premiums in fiscal year 2011 (\$819,396).

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, 2004 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

HEALTH INSURANCE RESERVES (Continued)

Board of Education of Wicomico County (Continued)

For the year ended June 30, 2010, the health care insurance reserve had the following activity:

Balance at July 1, 2009	\$	7,769,336
Subsidy for rate increase		(1,235,147)
Positive settlement – 2009		2,858,530
Interest earned (net of expenditures)		10,228
Other – transfer adjustment		<u>(1,330,000)</u>
 Balance at June 30, 2010	 \$	 <u>8,072,947</u>

The consortium’s contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 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, 2009, the Board’s share of the consortium’s settlement was a surplus of \$2,858,530 which was recognized as an other financing source during the year ended June 30, 2010.

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, 2010 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, 2010 was \$732,236.

ARBITRAGE PAYABLE

Wicomico County’s arbitrage consultant has advised that as of June 30, 2010, there is a potential liability of \$66,455 that may have to be paid to the federal government during fiscal year 2011 and a potential liability of \$9,117 that may have to be paid during fiscal year 2012, depending on interest rates and disbursement of bond proceeds. The County has sufficient funds in the arbitrage reserve to cover these possible payments. Potential rebate liabilities exist for fiscal years 2013 and beyond; however, these liabilities are subject to change as the County spends down its bond proceeds for the projects that were bonded.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 are as follows:

	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>	<u>June 30, 2010</u>
Primary government:			
Governmental activities	\$ 3,600,459	\$ (459,599)	\$ 3,140,860
Business-type activities	364,619	57,730	422,349
Total primary government	<u>\$ 3,965,078</u>	<u>\$ (401,869)</u>	<u>\$ 3,563,209</u>
	<u>June 30, 2009</u>	<u>Increase</u>	<u>June 30, 2010</u>
Component units:			
Board of Education of Wicomico Co.	2,903,785	463,969	3,367,754
Wicomico County Free Library, Inc.	163,851	8,190	172,041
Total component units	<u>\$ 3,067,636</u>	<u>\$ 472,159</u>	<u>\$ 3,539,795</u>

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, 2010 were \$160,337.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

Plan Description (Continued)

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2010.

Active eligible	603
Terminated with vested rights	37
Retired	118
	758
	758

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, 2010 that amount was \$1,541,292.

Annual Pension Cost and Contribution

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

Annual Required Contribution	\$ 1,541,292
Interest on net pension obligation (asset)	(253,815)
Adjustment to Required Contribution	107,164
Annual Pension Cost	1,394,641
Contribution made	121,835
Increase in net pension obligation (asset)	1,272,806
Net pension obligation (asset), beginning	(3,275,029)
Net pension obligation (asset), ending	\$ (2,002,223)

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2009 actuarial valuation using the projected unit credit (effective July 1, 2007). Prior to July 1, 2007 the actuarial valuation used the frozen entry age normal (fresh start as of July 1, 1995). The actuarial assumptions include a 7.75% investment rate of return as of July 1, 2007 and 8% prior to July 1, 2007, and a 1% administrative expense and projected salary increase of 5%. Effective July 1, 2009 the valuation will include no projected salary increase for three years, 1% for the fourth year, and 2.5% ongoing. The assumption for retirement age will increase to 2 years after the earliest age eligible for full benefits as of July 1, 2009, based on experience and retirement trends. The entire \$2,002,223 is included in governmental activities in the Statement of Net Assets and not allocated to enterprise and special revenue funds because the pension obligation is calculated on the County as a whole and therefore cannot be allocated.

The changes in assumptions for the 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 fiduciary net assets and the changes in fiduciary net assets are for the year ended June 30, 2010 and on the cash basis at market value.

The assumptions do not include other post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period used at June 30, 2009 was twenty-six years.

Four-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2007	2,007,397	188.2%	(321,420)
June 30, 2008	1,924,914	188.5%	(1,900,758)
June 30, 2009	2,076,253	164.7%	(3,275,029)
June 30, 2010	1,394,641	8.7%	(2,002,223)

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

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

The Plan does not issue separate financial statements.

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 2010, the County's total contribution amounted to \$51,977 which includes a portion sufficient to amortize the unfunded accrued liability by the year 2020, and included for fiscal year beginning July 1, 2009, a required contribution of \$11,372 for certain office or officers who prior to July 1, 2009, had their pension cost paid by the State.

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, 2010 were \$12,316,880. 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, 2010**

PENSION AND RETIREMENT PLANS (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>
2008	\$ 634,040	100%
2009	\$ 647,132	100%
2010	\$ 774,377	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:

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

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, 2010**

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 5% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2010. 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, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

Teachers' Pension Systems (Continued)

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2010 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 114,667,186
Payroll covered under the plans	\$ 95,724,496

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.
- 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

The employee's payroll for the year ended June 30, 2010 and payroll covered under the Plan is as follows:

Total payroll	\$ 114,667,186
Payroll covered under the plans	\$ 9,925,869

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2010	\$ 591,306	114%

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, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, open basis
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

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%
7/1/2009	13,369,971	18,200,762	4,830,791	73.46%	9,168,811	52.69%

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	<u>516,743</u>
Contributions made	<u>591,306</u>
Net pension asset at end of year	<u>\$ (74,563)</u>

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, 2010, there were 1,234 eligible participants for whom the Board contributed a total of \$423,015.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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. 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 \$148,461 for the year ended June 30, 2010.

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.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

Employees' and Teachers' Retirement Systems (Continued)

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.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

PENSION AND RETIREMENT PLANS (Continued)

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

Employees' and Teachers' Pension Systems (Continued)

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.

DEFERRED COMPENSATION PLAN

The County offers certain employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The County matched 10% for calendar year 2010 contributions that were paid in fiscal year 2011. The match paid in 2010 was \$59,898. 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 reservation of fund balance.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 was 15% of employee cost and 25% of dependant coverage.

For the year ended June 30, 2010 there were 132 participants receiving post-retirement health care benefits at a direct cost to the County of \$733,320.

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.

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

Plan Description

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

The plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the 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, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Funding Policy (Continued)

Wicomico County has chosen to continue to pay current retiree medical payments from the General Fund. Therefore, the trust will be funded 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 2010 was \$1,935,000. The County contributed \$142,512 to the trust.

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 2009 and 2010, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

	2008	2009	2010
Net OPEB asset at beginning of year	\$	(1,113,706)	\$ (1,452,051)
Annual Required Contribution	2,067,000	1,882,000	1,935,000
Expense (Contributions Made)	(3,180,706)	(2,262,986)	(1,127,185)
Subtotal Net OPEB Asset	(1,113,706)	(1,494,692)	(644,236)
Interest on Beginning Net OPEB Asset		(83,528)	(108,904)
Adjustment to ARC		126,169	164,943
TOTAL NET OPEB ASSET AT END OF YEAR	\$ (1,113,706)	(1,452,051)	\$ (588,197)

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

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, 2010, the preliminary AAL was \$27,088,327 and the actuarial value of assets based on current market value was \$5,969,103.

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. In fiscal year 2010, the County funded \$142,512.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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)

	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Actuarial Accrued Liabilities	\$ 26,447,400	\$ 27,088,327
Actuarial Value of plan assets	5,118,475	5,969,103
Unfunded AAL	\$ 21,328,925	\$ 21,119,224
Funded ratio as of actuarial value dates	19.40%	22.04%
Covered payroll	\$ 32,722,462	\$ 29,999,269
UAAL as a percentage of covered payroll	65.20%	70.40%

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, 2010 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, 2010**

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 \$981,673.

	517 Active Employees	132 Retirees	Total
Total age adjusted premiums	\$ 4,823,581	\$ 1,215,338	\$ 6,038,919
Less: member contributions	-	(233,665)	(233,665)
Employer retiree subsidy	\$ 4,823,581	\$ 981,673	\$ 5,805,254

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, 2010, the Board funded 70% of the individual health care insurance costs for retirees who were qualified to retire on or after July 17, 2007 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. The Board previously funded 55% of the individual health care insurance costs for 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, 2010**

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. Effective June 29, 2009, the City of Salisbury was approved to join the trust.

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

The plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouses.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$3.746 million to the plan, including \$2.093 million for current claim costs (approximately 70% of total premiums); an additional \$1.585 million to pre-fund benefits and an estimated retiree subsidy of \$68,000. Plan members receiving benefits contributed approximately 30% of the total claim costs premiums, through their required contributions of \$172 per month for retirees-only coverage (if under 65), \$128 per month for retirees-only coverage (if 65 or older) and \$924 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, 2010**

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	\$ 3,553,000
Interest on net OPEB obligation	(30,750)
Adjustment to annual required contribution	43,200
Annual OPEB cost (expense)	3,565,450
Contributions made	(3,746,000)
Net OPEB obligation (asset)	(180,550)
Net OPEB asset at beginning of year	(1,169,550)
 Net OPEB obligation (asset) at end of year	 \$ (1,350,100)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/08	\$ 2,594,000	143.10%	\$ (410,000)
6/30/09	2,613,450	129.06%	(1,169,550)
6/30/10	3,565,450	105.06%	(1,350,100)

Funded Status and Funding Progress

As of July 2009, the most recent actuarial valuation date, the plan was 6.6% funded. The actuarial accrued liability for benefits was \$48,341,000 and the actuarial value of assets was \$3,209,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$45,132,000. The covered payroll was \$109,000,000 and the ratio of UAAL to the covered payroll was 41.41%.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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)

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 2009 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 was 30 years.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 \$6,394,913 reported as landfill closure and post closure care cost liability at June 30, 2010, represents the cumulative amount reported to date based upon attaining 75% of the estimated capacity of open cells #1, #2, #3, and #4 and 21.2% 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 \$2,611,820 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 \$6,300,000 of currently available assets which may be used for landfill closure and post closure costs.

SOLID WASTE ENTERPRISE FUND LOSS

In fiscal year 2008, the County suffered a loss from fraud in the Solid Waste Enterprise fund. 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 had received \$5,000 and a receivable of \$163,000 was recorded as of June 30, 2009. The total of the payments received in fiscal year 2010 was \$59,273, and the County still has a receivable in the Solid Waste fund for \$103,727 for the balance of the court ordered restitution.

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>	
2011	\$ 25,000
2012	25,000
2013	25,000
2014	<u>25,000</u>
Total	<u>\$100,000</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, 2010.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 were \$407,209. 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 2010 were \$24,130.

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 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, 2010, 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

COMMITMENTS AND CONTINGENCIES (Continued)

The Board of Education of Wicomico County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has signed contracts for the renovation of James M. Bennett High School in the amount \$76,812,545. At June 30, 2010, \$67,745,392 had been expended. The Board also had signed contracts for the renovation of Bennett Middle School in the amount of \$2,996,900. At June 30, 2010, \$493,134 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, 2010 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.

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

The Wicomico County Free Library, 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.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

RISK MANAGEMENT (Continued)

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.

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, 2010. 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

RISK MANAGEMENT (Continued)

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, neither conduit debt nor the related asset is reported.

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

PRIOR PERIOD ADJUSTMENTS

Fund equity at June 30, 2009 has been restated for the governmental funds as follows:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund equity as previously reported	\$ 28,284,761	\$ 1,230,872	\$ 30,614,575	\$ 5,992,820	\$ 1,428,258	\$ 67,551,286
Reclassification of the Tax Ditch Fund to a separate fiduciary fund	-	-	-	-	(389,705)	(389,705)
Correction of prior year room tax revenue	9,433	-	-	-	-	9,433
Reclassification of expenditure to grant	11,452	-	-	-	-	11,452
Accounts receivable not reported in the proper period or not reversed in the proper period	(13,900)	(142,078)	-	(110,810)	-	(266,788)
Accounts payable not reported in the proper period or not reversed in the proper period	(2,942)	-	-	-	(2,653)	(5,595)
Record accrual for wages	(101,988)	-	-	-	-	(101,988)
Other adjustments	279	4	-	(2,485)	(972)	(3,174)
Fund equity at June 30, 2009 as restated	<u>\$ 28,187,095</u>	<u>\$ 1,088,798</u>	<u>\$ 30,614,575</u>	<u>\$ 5,879,525</u>	<u>\$ 1,034,928</u>	<u>\$ 66,804,921</u>

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

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2009 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, 2009 as previously reported	\$ 16,446,479	\$ 42,524,553	\$ 3,193,120	\$ 1,283,391	\$ 7,629,438	\$ 1,850,897	\$ 72,927,878
Correction of deferred income from prior year	-	-	-	-	-	(1,946)	(1,946)
Correct prior year room tax revenue	-	-	-	(78,779)	1,546	-	(77,233)
Accounts payable not reported or reversed in the proper period	(4,772)	(13,239)	-	(1,746)	(146)	(189)	(20,092)
To record intangible assets under GASB No. 51	32,003	27,500	-	11,340	5,000	-	75,843
Correction of prior year bond premium and deferred charges	12,579	2,613	-	1,463	-	-	16,655
Prior year interest expense not recorded	-	-	-	-	-	(7,500)	(7,500)
Other adjustments	<u>(2,951)</u>	<u>(3,512)</u>	<u>-</u>	<u>2</u>	<u>145</u>	<u>4</u>	<u>(6,312)</u>
Fund equity at June 30, 2009 as restated	<u>\$ 16,483,338</u>	<u>\$ 42,537,915</u>	<u>\$ 3,193,120</u>	<u>\$ 1,215,671</u>	<u>\$ 7,635,983</u>	<u>\$ 1,841,266</u>	<u>\$ 72,907,293</u>

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

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net assets at June 30, 2009 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

	Governmental Activities	Business-Type Activities
Net assets at June 30, 2009 as previously reported	\$ 42,826,726	\$ 72,927,878
Net changes to governmental and enterprise funds (on previous page)	(746,365)	(20,585)
Correction to capital leases	(129,479)	-
Correction to bond premium, bond payables and record bond issuance costs & deferred charges	732,971	-
Correction to deferred taxes	469,036	-
Net pension asset not recorded in prior year	3,275,029	-
Retainage	105,343	-
To record intangible assets under GASB No. 51	3,214,287	-
Other	(9,031)	-
 Fund equity at June 30, 2009 as restated	 \$ 49,738,517	 \$ 72,907,293

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	<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	\$ 59,410,320	\$ 59,410,320	\$ 60,211,126	\$ 800,806
Income taxes	43,000,000	39,300,000	37,206,314	(2,093,686)
Other taxes	3,731,000	3,331,000	3,807,679	476,679
Licenses and permits	1,180,090	1,180,090	1,255,571	75,481
Intergovernmental	3,753,469	3,314,700	3,323,269	8,569
Charges for services	4,409,265	4,931,895	4,231,064	(700,831)
Court fines and forfeitures	17,400	57,400	55,406	(1,994)
Miscellaneous	2,252,384	2,314,384	3,627,451	1,313,067
Investment earnings	778,000	231,689	277,419	45,730
Total revenues	<u>118,531,928</u>	<u>114,071,478</u>	<u>113,995,299</u>	<u>(76,179)</u>
EXPENDITURES				
General government				
Legislative/council	<u>426,929</u>	<u>364,778</u>	<u>266,708</u>	<u>98,070</u>
Administrative/executive	<u>507,087</u>	<u>483,034</u>	<u>446,047</u>	<u>36,987</u>
Judicial				
Circuit Court	989,432	1,049,529	1,018,946	30,583
Orphans' Court	42,910	40,505	27,942	12,563
State's Attorney	1,806,474	1,737,669	1,683,681	53,988
Total judicial	<u>2,838,816</u>	<u>2,827,703</u>	<u>2,730,569</u>	<u>97,134</u>
Elections	<u>724,602</u>	<u>716,096</u>	<u>458,944</u>	<u>257,152</u>
Management information systems	<u>715,718</u>	<u>708,932</u>	<u>641,212</u>	<u>67,720</u>
Purchasing	<u>112,585</u>	<u>107,794</u>	<u>107,198</u>	<u>596</u>
Financial administration				
Finance	1,065,628	1,094,610	994,463	100,147
Public accountant	97,175	97,665	97,665	-
Total financial administration	<u>1,162,803</u>	<u>1,192,275</u>	<u>1,092,128</u>	<u>100,147</u>
Human resources	<u>633,860</u>	<u>564,800</u>	<u>522,841</u>	<u>41,959</u>
Legal	<u>260,928</u>	<u>290,934</u>	<u>290,894</u>	<u>40</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(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	280,327	241,278	225,704	15,574
Planning and zoning	996,258	1,000,882	884,702	116,180
General services	1,052,022	1,089,828	1,066,649	23,179
Total general government	9,711,935	9,588,334	8,733,596	854,738
Public safety				
Sheriff's Department	8,311,524	7,802,594	7,226,232	576,362
Emergency Services	1,684,596	1,661,554	1,592,177	69,377
Fire Department	4,315,355	4,305,768	4,273,069	32,699
Liquor License Board	173,086	163,514	161,485	2,029
Protection of Animals	295,010	250,758	250,758	-
Total public safety	14,779,571	14,184,188	13,503,721	680,467
Detention Center	12,271,196	11,700,134	11,479,396	220,738
Public works				
Supervision	573,943	550,904	457,939	92,965
Weed control	3,000	2,550	2,357	193
Sanitation, water, and sewer	179,086	179,086	179,013	73
Tri-County Council/Shore Transit	360,000	370,000	370,000	-
Total public works	1,116,029	1,102,540	1,009,309	93,231

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(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	3,447,621	3,398,639	3,125,184	273,455
Mosquito control	141,200	133,959	107,820	26,139
Gypsy Moth control	2,700	2,295	1,500	795
Total health	3,591,521	3,534,893	3,234,504	300,389
Social services	218,672	218,672	218,672	-
Education				
Board of Education	50,781,711	50,781,711	50,781,711	-
Wicomico County Free Library	1,483,477	1,229,398	1,229,398	-
School Building Comm	900	525	525	-
Community College - grant	4,072,136	3,461,316	3,461,316	-
Extension Service	100,978	85,831	82,754	3,077
Total education	56,439,202	55,558,781	55,555,704	3,077
Recreation and culture	1,752,138	1,691,200	1,606,703	84,497
Miscellaneous				
Social security	1,982,778	1,936,676	1,664,938	271,738
Funded retirement plan	1,006,089	209,987	138,389	71,598
OPEB	-	146,683	142,512	4,171
Provision for compensated absences	-	-	(178,120)	178,120
Hospitalization, disability and life	5,700,437	5,811,381	5,082,441	728,940
Unemployment compensation	89,532	127,155	93,736	33,419
Workers' compendation	601,736	567,515	264,605	302,910
Liability and arbitrage insurance	800,000	804,000	588,885	215,115
Auto sinking fund	-	-	(7,949)	7,949
Total miscellaneous	10,180,572	9,603,397	7,789,437	1,813,960

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(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	8,361,226	8,361,226	8,325,882	35,344
Interest	4,644,867	4,644,867	3,987,286	657,581
Agent fees	40,000	43,500	38,870	4,630
	<u>13,046,093</u>	<u>13,049,593</u>	<u>12,352,038</u>	<u>697,555</u>
Total debt service	<u>13,046,093</u>	<u>13,049,593</u>	<u>12,352,038</u>	<u>697,555</u>
Total expenditures	<u>123,106,929</u>	<u>120,231,732</u>	<u>115,483,080</u>	<u>4,748,652</u>
Excess of revenues under expenditures	<u>(4,575,001)</u>	<u>(6,160,254)</u>	<u>(1,487,781)</u>	<u>4,672,473</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	509,633	509,633	581,921	72,288
Transfers out	(1,021,513)	(916,866)	(916,779)	87
Appropriations of fund equity	5,726,824	6,602,628	-	(6,602,628)
Other uses	(500,000)	(35,141)	-	35,141
	<u>4,714,944</u>	<u>6,160,254</u>	<u>(334,858)</u>	<u>(6,495,112)</u>
Total other financing sources (uses)	<u>4,714,944</u>	<u>6,160,254</u>	<u>(334,858)</u>	<u>(6,495,112)</u>
Net change in fund balances	<u>\$ 139,943</u>	<u>\$ -</u>	<u>\$ (1,822,639)</u>	<u>\$ (1,822,639)</u>

WICOMICO COUNTY, MARYLAND
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
JUNE 30, 2010

<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	971,483	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%
7/1/2010	39,464,260	41,980,313	2,516,053	94.01%	24,986,183	10.07%

SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 52,080,078	\$ 54,952,996	\$ 2,872,918
Railroads and public utilities	2,626,585	2,559,835	(66,750)
Ordinary business corporations	6,907,657	7,101,090	193,433
Subtotal real and personal property taxes	<u>61,614,320</u>	<u>64,613,921</u>	<u>2,999,601</u>
Interest and fees on delinquent taxes	488,000	554,665	66,665
Subtotal real and personal property taxes after interest and fees on delinquent taxes	62,102,320	65,168,586	3,066,266
Manufacturing exemptions	(1,600,000)	(1,144,485)	455,515
Net additions and abatements	(375,000)	(61,772)	313,228
Tax credits	(70,000)	(3,186,284)	(3,116,284)
Deferred and uncollected taxes	(250,000)	(204,023)	45,977
Discounts allowed	(397,000)	(360,896)	36,104
Total real and personal property taxes	<u>59,410,320</u>	<u>60,211,126</u>	<u>800,806</u>
Income taxes	<u>39,300,000</u>	<u>37,206,314</u>	<u>(2,093,686)</u>
Other taxes			
Admission and amusement	88,500	259,811	171,311
Recordation tax	2,300,000	2,590,719	290,719
911 telephone surcharge tax	632,500	621,395	(11,105)
Trailer park	310,000	335,754	25,754
Total other taxes	<u>3,331,000</u>	<u>3,807,679</u>	<u>476,679</u>
Total taxes	<u>102,041,320</u>	<u>101,225,119</u>	<u>(816,201)</u>
Licenses and permits			
Alcoholic beverages	169,330	182,081	12,751
Amusement	8,500	6,209	(2,291)
Traders	65,000	69,346	4,346
Building, equipment, and electrical	140,000	136,524	(3,476)
Marriage	24,760	21,790	(2,970)
Cable TV franchise	766,000	830,878	64,878
Other	6,500	8,743	2,243
Total licenses and permits	<u>1,180,090</u>	<u>1,255,571</u>	<u>75,481</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental			
Operating grants and contributions			
Disparity grant	2,197,041	2,197,041	-
Health	60,221	61,455	1,234
Public safety - detention center	91,703	91,703	-
Public safety - police	252,990	259,186	6,196
Public safety - emergency management	22,232	-	(22,232)
Charges for services and fees			
Conservation of natural resources - Chesapeake Bay Critical Areas	12,168	7,964	(4,204)
General government - circuit courts	155,913	139,936	(15,977)
Health	522,432	499,155	(23,277)
Planning and zoning	-	11,000	11,000
Payments in lieu of taxes	-	45,664	45,664
Miscellaneous	-	10,165	10,165
Total intergovernmental	<u>3,314,700</u>	<u>3,323,269</u>	<u>8,569</u>
Service charges and fees			
Bay Restoration - administrative fee	34,000	30,781	(3,219)
City of Salisbury - share of building expenses	160,375	101,146	(59,229)
City of Salisbury - share of MIS	18,000	35,630	17,630
City of Salisbury - share of planning & zoning	196,000	196,000	-
Detention Center - local charges	104,000	85,971	(18,029)
Detention Center - reimbursement for inmates expenses	2,008,200	1,496,255	(511,945)
Fire safety fees	110,000	80,523	(29,477)
Forest Conservation service charges	10,000	6,172	(3,828)
Health - mosquito control fees	90,000	85,490	(4,510)
Impact fees	575,000	476,253	(98,747)
Miscellaneous fees, rentals, and sales	10,800	34,685	23,885
Public works subdivision review fees	79,283	61,858	(17,425)
Recreation program fees	30,804	45,970	15,166
Room tax - administrative fee	16,000	16,374	374
Sheriff's fees	471,006	477,477	6,471
Sheriff's services - Board of Education	540,000	509,766	(30,234)
Enterprise funds - administrative fee	60,000	60,000	-
Wicomico County Liquor Control Board fee	400,000	424,000	24,000
Zoning and subdivision fees	18,427	6,713	(11,714)
Total service charges and fees	<u>4,931,895</u>	<u>4,231,064</u>	<u>(700,831)</u>

**WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	<u>57,400</u>	<u>55,406</u>	<u>(1,994)</u>
Miscellaneous	<u>2,314,384</u>	<u>3,627,451</u>	<u>1,313,067</u>
Interest	<u>231,689</u>	<u>277,419</u>	<u>45,730</u>
Total revenues	<u><u>\$ 114,071,478</u></u>	<u><u>\$ 113,995,299</u></u>	<u><u>\$ (76,179)</u></u>

**WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 115,442	\$ 115,442	\$ -
Salaries - general	163,373	100,854	62,519
Operating expenditures	81,875	46,491	35,384
Capital outlay	4,088	3,921	167
Total legislative/council	<u>364,778</u>	<u>266,708</u>	<u>98,070</u>
Administrative/executive			
Salaries - elected office	85,327	85,327	-
Salaries - general	322,063	321,666	397
Operating expenditures	72,644	37,047	35,597
Capital outlay	3,000	2,007	993
Total administrative/executive	<u>483,034</u>	<u>446,047</u>	<u>36,987</u>
Judicial			
Circuit Court			
Salaries - general	554,442	553,601	841
Operating expenditures	365,444	355,439	10,005
Capital outlay	129,643	109,906	19,737
Total Circuit Court	<u>1,049,529</u>	<u>1,018,946</u>	<u>30,583</u>
Orphans' Court			
Salaries - general	19,200	19,200	-
Operating expenditures	21,305	8,742	12,563
Total Orphans' Court	<u>40,505</u>	<u>27,942</u>	<u>12,563</u>
State's Attorney			
Salaries - elected office	114,968	114,967	1
Salaries - general	1,475,009	1,424,348	50,661
Operating expenditures	131,272	128,250	3,022
Capital outlay	16,420	16,116	304
Total State's Attorney	<u>1,737,669</u>	<u>1,683,681</u>	<u>53,988</u>
Total judicial	<u>2,827,703</u>	<u>2,730,569</u>	<u>97,134</u>
Elections			
Salaries - general	268,142	242,182	25,960
Operating expenditures	301,460	157,719	143,741
Capital outlay	146,494	59,043	87,451
Total elections	<u>716,096</u>	<u>458,944</u>	<u>257,152</u>
Management information systems			
Salaries - general	362,824	361,978	846
Operating expenditures	189,800	154,232	35,568
Capital outlay	156,308	125,002	31,306
Total management information systems	<u>708,932</u>	<u>641,212</u>	<u>67,720</u>
Purchasing			
Salaries - general	98,443	98,332	111
Operating expenditures	8,685	8,200	485
Capital outlay	666	666	-
Total purchasing	<u>107,794</u>	<u>107,198</u>	<u>596</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (continued)			
Financial administration			
Finance			
Salaries - general	771,392	742,584	28,808
Operating expenditures	290,498	245,191	45,307
Capital outlay	32,720	6,688	26,032
Total finance	<u>1,094,610</u>	<u>994,463</u>	<u>100,147</u>
Public accountant			
Auditors' services	97,665	97,665	-
Total financial administration	<u>1,192,275</u>	<u>1,092,128</u>	<u>100,147</u>
Human resources			
Salaries - general	451,367	451,367	-
Operating expenditures	107,993	66,912	41,081
Capital outlay	5,440	4,562	878
Total human resources	<u>564,800</u>	<u>522,841</u>	<u>41,959</u>
Legal			
Salaries - general	217,356	217,356	-
Operating expenditures	70,912	70,875	37
Capital outlay	2,666	2,663	3
Total legal	<u>290,934</u>	<u>290,894</u>	<u>40</u>
Community promotion			
Community access channel	100,215	100,215	-
Economic development	105,933	105,933	-
Operating expenditures	35,130	19,556	15,574
Total community promotion	<u>241,278</u>	<u>225,704</u>	<u>15,574</u>
Planning and zoning			
Salaries	719,859	718,758	1,101
Operating expenditures	275,459	160,380	115,079
Capital outlay	5,564	5,564	-
Total planning and zoning	<u>1,000,882</u>	<u>884,702</u>	<u>116,180</u>
General services			
Salaries	214,572	214,572	-
Operating expenditures	726,941	703,764	23,177
Capital outlay	148,315	148,313	2
Total general services	<u>1,089,828</u>	<u>1,066,649</u>	<u>23,179</u>
Total general government	<u>9,588,334</u>	<u>8,733,596</u>	<u>854,738</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety			
Sheriff's Department			
Salary - Sheriff	85,327	85,327	-
Salaries - general	6,689,373	6,334,188	355,185
Operating expenditures	789,106	603,324	185,782
Capital outlay	238,788	203,393	35,395
Total Sheriff's Department	<u>7,802,594</u>	<u>7,226,232</u>	<u>576,362</u>
Emergency Services			
Salaries - general	1,057,061	1,017,707	39,354
Operating expenditures	508,219	480,534	27,685
Capital outlay	96,274	93,936	2,338
Total Emergency Services	<u>1,661,554</u>	<u>1,592,177</u>	<u>69,377</u>
Fire Department			
City of Salisbury contributions			
Ambulance	447,000	447,000	-
Fire Department	125,000	125,000	-
Volunteer Ambulance	1,639,000	1,639,000	-
Volunteer Ambulance - insurance	82,500	72,019	10,481
Volunteer Fire Companies			
Workers' compensation insurance	136,111	136,110	1
LOSAP committee	79,371	79,371	-
Grants	1,400,000	1,400,000	-
Sinking fund	350,000	350,000	-
Hepatitis vaccine	46,786	24,569	22,217
Total Fire Department	<u>4,305,768</u>	<u>4,273,069</u>	<u>32,699</u>
Liquor License Board			
Salaries - board members and attorneys	23,331	23,225	106
Salaries - general	103,069	103,068	1
Operating expenditures	35,066	33,145	1,921
Capital outlay	2,048	2,047	1
Total Liquor License Board	<u>163,514</u>	<u>161,485</u>	<u>2,029</u>
Protection of Animals			
Contractual services - Humane Society	250,758	250,758	-
Total public safety	<u>14,184,188</u>	<u>13,503,721</u>	<u>680,467</u>
Detention Center			
Salaries - general	7,134,771	7,130,690	4,081
Medical	2,340,981	2,302,281	38,700
Contracted food services	709,452	707,796	1,656
Operating expenditures	1,375,481	1,292,527	82,954
Capital outlay	139,449	46,102	93,347
Total Detention Center	<u>11,700,134</u>	<u>11,479,396</u>	<u>220,738</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Supervision			
Salaries - general	502,434	436,749	65,685
Operating expenditures	38,300	18,573	19,727
Capital outlay	10,170	2,617	7,553
Total supervision	<u>550,904</u>	<u>457,939</u>	<u>92,965</u>
Weed control			
Salaries - general	2,550	2,357	193
Total weed control	<u>2,550</u>	<u>2,357</u>	<u>193</u>
Sanitation, water, and sewer			
Fruitland water and sewer	179,086	179,013	73
Tri-County Council/Shore Transit			
Grants - operating	300,000	300,000	-
Grants - capital outlay	20,000	20,000	-
Grants - County match	40,000	40,000	-
Grants - legislative	10,000	10,000	-
	<u>370,000</u>	<u>370,000</u>	<u>-</u>
Total public works	<u>1,102,540</u>	<u>1,009,309</u>	<u>93,231</u>
Health			
Public health			
Salaries - general	158,272	119,195	39,077
Operating expenditures	3,209,267	2,977,369	231,898
Capital outlay	31,100	28,620	2,480
Total public health	<u>3,398,639</u>	<u>3,125,184</u>	<u>273,455</u>
Mosquito control			
Salaries - general	83,928	75,345	8,583
Operating expenditures	49,531	32,475	17,056
Capital outlay	500	-	500
Total mosquito control	<u>133,959</u>	<u>107,820</u>	<u>26,139</u>
Gypsy Moth control			
Operating expenditures	2,295	1,500	795
Total health	<u>3,534,893</u>	<u>3,234,504</u>	<u>300,389</u>
Social services			
Teen Adult Center	61,363	61,363	-
Maintenance of Aged in Community	122,150	122,150	-
Commission on Aging	450	450	-
Life Crisis Center - grant	13,500	13,500	-
Grants and mandates	21,209	21,209	-
Total social services	<u>218,672</u>	<u>218,672</u>	<u>-</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	50,781,711	50,781,711	-
Wicomico County Free Library	1,229,398	1,229,398	-
School Building Comm	525	525	-
Community College - grant	3,461,316	3,461,316	-
Extension Service	85,831	82,754	3,077
Total education	55,558,781	55,555,704	3,077
Recreation and culture			
Salaries - general	1,299,494	1,283,848	15,646
Operating expenditures	381,383	312,532	68,851
Capital outlay	10,323	10,323	-
Total Recreation and culture	1,691,200	1,606,703	84,497
Miscellaneous			
Social security	1,936,676	1,664,938	271,738
Funded retirement plan	209,987	138,389	71,598
OPEB	146,683	142,512	4,171
Provision for compensated absences	-	(178,120)	178,120
Hospitalization, disability and life	5,811,381	5,082,441	728,940
Unemployment compensation	127,155	93,736	33,419
Workers' compendation	567,515	264,605	302,910
Liability and arbitrage insurance	804,000	588,885	215,115
Auto sinking fund	-	(7,949)	7,949
Total miscellaneous	9,603,397	7,789,437	1,813,960
Debt service			
Principal - County	1,694,277	1,658,933	35,344
Principal - Board of Education	6,666,949	6,666,949	-
Interest - County	735,767	633,655	102,112
Interest - Board of Education	3,909,100	3,353,631	555,469
Agent fees	43,500	38,870	4,630
Total debt service	13,049,593	12,352,038	697,555
Total expenditures	\$ 120,231,732	\$ 115,483,080	\$ 4,748,652

**WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Transfers in			
Wicomico County Capital Projects	-	54,366	54,366
Wicomico County Recreation Fund	352,343	275,843	(76,500)
Wicomico County Solid Waste	132,990	167,412	34,422
Wicomico County Convention & Visitors Bureau	24,300	84,300	60,000
Total transfers in	<u>509,633</u>	<u>581,921</u>	<u>72,288</u>
Transfers out			
Wicomico County Grants	(30,840)	(30,840)	-
Wicomico County Roads	(470,661)	(470,574)	87
Wicomico County Civic Center	(415,365)	(415,365)	-
Total transfers out	<u>(916,866)</u>	<u>(916,779)</u>	<u>87</u>
Appropriations of fund equity			
Fund balance reappropriated	4,831,765	-	(4,831,765)
Fund balance reappropriated - Solid Waste	1,000,000	-	(1,000,000)
Supplemental fund equity appropriations	770,863	-	(770,863)
Total appropriations of fund equity	<u>6,602,628</u>	<u>-</u>	<u>(6,602,628)</u>
Other uses			
Contingency	(119,212)	-	119,212
Appropriated operating reserve	84,071	-	(84,071)
Total other uses	<u>(35,141)</u>	<u>-</u>	<u>35,141</u>
Total other financing sources (uses)	<u>\$ 6,160,254</u>	<u>\$ (334,858)</u>	<u>\$ (6,495,112)</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Recreation</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,172,038	\$ 13,117	\$ 1,185,155
Other receivables	4,306	-	4,306
Inventories	4,736	-	4,736
Total assets	<u>1,181,080</u>	<u>13,117</u>	<u>1,194,197</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	47,081	1,311	48,392
Accrued payroll	16,411	-	16,411
Deferred revenue	-	11,806	11,806
Total liabilities	<u>63,492</u>	<u>13,117</u>	<u>76,609</u>
 Fund balances:			
Nonspendable	4,736	-	4,736
Restricted	42,725	-	42,725
Assigned	1,070,127	-	1,070,127
Total fund balances	<u>1,117,588</u>	<u>-</u>	<u>1,117,588</u>
Total liabilities and fund balances	<u>\$ 1,181,080</u>	<u>\$ 13,117</u>	<u>\$ 1,194,197</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Recreation</u>	<u>Agricultural</u> <u>Tax</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Charges for services	\$ 1,192,985	\$ -	\$ 1,192,985
Miscellaneous	243	46,737	46,980
Investment earnings	15	-	15
Total revenues	<u>1,193,243</u>	<u>46,737</u>	<u>1,239,980</u>
EXPENDITURES			
Recreation and culture	801,065	-	801,065
Miscellaneous	-	46,737	46,737
Total expenditures	<u>801,065</u>	<u>46,737</u>	<u>847,802</u>
Excess of revenues over expenditures	<u>392,178</u>	<u>-</u>	<u>392,178</u>
OTHER FINANCING USES			
Transfers in	64	-	64
Transfers out	<u>(309,582)</u>	<u>-</u>	<u>(309,582)</u>
Total other financing uses	<u>(309,518)</u>	<u>-</u>	<u>(309,518)</u>
Net change in fund balances	82,660	-	82,660
Fund balances - beginning	<u>1,034,928</u>	<u>-</u>	<u>1,034,928</u>
Fund balances - ending	<u>\$ 1,117,588</u>	<u>\$ -</u>	<u>\$ 1,117,588</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2010**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2010	\$ 0.759	\$ 1.898	\$ 0.392	\$ 7,732,061,329	\$ 63,313,645	\$ 61,659,738
2009	0.814	2.035	0.392	7,128,269,617	63,510,155	62,915,011
2008	0.881	2.203	0.392	6,294,338,379	61,254,169	60,616,624
2007	0.942	2.355	0.392	5,569,608,243	58,604,151	57,717,360
2006	0.993	2.483	0.462	4,940,897,600	54,923,818	54,045,733

Notes:

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

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

³ Collections are net of refunds.

<u>Percent of Levy Collected in Year of Lev</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections³</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent County Taxes</u>	<u>Outstanding Delinquent County Taxes as a Percent of Current Levy</u>
97.39%	\$ 508,971	\$ 63,423,982	100.17%	\$ 2,769,556	4.37%
99.06%	280,940	60,897,564	95.89%	1,742,696	2.74%
98.96%	868,981	61,485,605	100.38%	1,636,960	2.67%
98.49%	670,737	58,388,097	99.63%	2,082,720	3.55%
98.40%	769,207	54,814,940	99.80%	2,350,718	4.28%

**WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2010**

Governmental activities	<u>Interest Rate</u>
General obligation bonds	
Public Improvement Bonds of 2001	4.0-4.9
Public Improvement Bonds of 2002	4.0-5.0
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	3.5 - 5.0
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Refunding Bonds of 2009, Second Issue	2.5 - 4.0
Public Improvement Bonds of 2009	1.0 - 6.125
Less: deferred amounts, refunding	
Add: issuance premiums	
Total general obligation bonds	
Maryland Water Quality loans	
Water Quality Bond of 1990, Series A	4.894
State loans	
Maryland Industrial and Commercial Redevelopment Fund Loan	5.50
Other loans	
City of Salisbury Inter-Agency Agreement	4.89
Capital lease obligations	
*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, 2010 Balance</u>
February 1, 2001	February 1, 2021	\$ 7,205,000	\$ 360,000
February 1, 2002	February 1, 2022	6,970,000	4,875,000
November 20, 2002	November 1, 2017	2,000,000	1,190,000
January 7, 2003	January 1, 2018	5,980,000	3,540,000
December 1, 2003	December 1, 2018	3,800,000	2,460,000
February 11, 2004	February 1, 2019	4,450,000	2,917,634
September 1, 2004	September 1, 2016	5,000,000	2,905,000
December 28, 2004	January 1, 2017	500,000	326,337
April 12, 2005	March 1, 2020	3,058,000	2,217,006
November 15, 2005	November 1, 2020	8,525,000	6,675,000
October 1, 2006	October 1, 2021	11,225,000	8,975,000
December 1, 2007	December 1, 2022	16,675,000	14,945,000
December 1, 2008	December 1, 2033	20,170,000	19,360,000
June 15, 2009	December 1, 2019	19,939,068	17,168,166
December 1, 2009	February 1, 2021	3,780,000	3,755,000
December 1, 2009	December 1, 2034	16,465,000	16,465,000
		(718,209)	(650,981)
		485,137	439,272
		<u>135,508,996</u>	<u>107,922,434</u>
March 21, 1990	February 1, 2012	<u>864,569</u>	<u>80,003</u>
September 19, 1994	September 19, 2014	<u>400,205</u>	<u>132,470</u>
March 21, 1990	March 21, 2012	<u>76,146</u>	<u>7,454</u>
March 31, 2008	March 27, 2012	<u>470,548</u>	<u>190,990</u>
		<u>\$ 137,320,464</u>	<u>\$ 108,333,351</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2010
(Continued)

Business-type activities	<u>Interest Rate</u>
General obligation bonds	
Public Improvement Bonds of 2005 "1 st "	3.9
Refunding Bonds of 2009	2.5 - 3.5
Less: deferred amounts, refunding	
Add: issuance premiums	
Total General obligation bonds	
Maryland Water Quality loans	
Water Quality Bond of 1990, Series A	4.894
Mortgage payable	
Nursing Home	4.04
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, 2010 Balance</u>
April 12, 2005	March 1, 2020	\$ 440,000	\$ 318,994
June 15, 2009	December 1, 2019	1,000,932	861,833
		(22,219)	(19,997)
		17,128	15,414
		<u>1,435,841</u>	<u>1,176,244</u>
March 21, 1990	February 1, 2012	<u>500,000</u>	<u>46,258</u>
April 1, 1999	October 1, 2004	<u>2,180,000</u>	<u>945,364</u>
September 6, 2005	September 6, 2010	734,236	40,003
September 1, 2005	September 1, 2010	649,089	35,347
September 21, 2005	September 21, 2010	322,753	5,963
September 1, 2006	September 1, 2011	393,000	92,189
March 27, 2008	March 27, 2013	145,237	82,752
December 30, 2008	December 30, 2013	678,043	488,631
		<u>2,922,358</u>	<u>744,885</u>
		7,038,199	2,912,751
		<u>(2,180,000)</u>	<u>(945,364)</u>
		<u>4,858,199</u>	<u>1,967,387</u>
		142,178,663	110,300,738
		<u>(3,392,906)</u>	<u>(935,875)</u>
		<u>\$ 138,785,757</u>	<u>\$ 109,364,863</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2010
(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
2011	\$ 14,256,670	\$ 106,700	\$ 4,224	\$ 14,367,594
2012	14,184,051	106,701	4,224	14,294,976
2013	14,162,572	35,167	-	14,197,739
2014	10,906,210	35,167	-	10,941,377
2015	10,747,382	8,795	-	10,756,177
2016	9,825,460	-	-	9,825,460
2017	9,710,161	-	-	9,710,161
2018	9,112,415	-	-	9,112,415
2019	8,276,243	-	-	8,276,243
2020	7,466,627	-	-	7,466,627
2021	6,546,648	-	-	6,546,648
2022	5,346,264	-	-	5,346,264
2023	3,980,607	-	-	3,980,607
2024	2,450,587	-	-	2,450,587
2025	2,392,865	-	-	2,392,865
2026	2,336,187	-	-	2,336,187
2027	2,280,041	-	-	2,280,041
2028	2,226,050	-	-	2,226,050
2029	2,168,797	-	-	2,168,797
2030	2,108,412	-	-	2,108,412
2031	2,050,592	-	-	2,050,592
2032	1,990,270	-	-	1,990,270
2033	1,927,445	-	-	1,927,445
2034	1,866,775	-	-	1,866,775
2035	1,015,373	-	-	1,015,373
Total	149,334,700	292,530	8,448	149,635,678
Less interest	40,019,730	33,799	994	40,054,523
Outstanding principal	\$ 109,314,970	\$ 258,731	\$ 7,454	\$ 109,581,155

WICOMICO COUNTY, MARYLAND

**BALANCE SHEET
LOCAL MANAGEMENT BOARD**

**JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash allocation from general fund	\$ 947,030	\$ 575,797
Grants receivable	290,393	562,059
Prepaid expenses	-	5,000
Total assets	<u>\$ 1,237,423</u>	<u>\$ 1,142,856</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 154,986	\$ 1,922
Deferred revenue	834,248	775,036
Accrued payroll and taxes	14,484	13,224
Accrued compensated absences	34,060	11,616
Total liabilities	<u>1,037,778</u>	<u>801,798</u>
 Fund balances		
Unassigned	199,645	341,058
Total fund balances, as restated	<u>199,645</u>	<u>341,058</u>
 Total liabilities and fund balance	<u>\$ 1,237,423</u>	<u>\$ 1,142,856</u>

WICOMICO COUNTY, MARYLAND

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

**YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
Revenues		
Subcabinet fund	\$ 1,150,742	\$ 1,745,455
Federal grants	388,643	493,978
Other state grants	106,485	106,937
Community grants	-	2,000
Total revenues	<u>1,645,870</u>	<u>2,348,370</u>
Expenditures		
Subcabinet Fund		
Administrative expenditures	234,795	263,695
Administrative expenditures- County portion	28,672	-
Interagency Family Preservation Services	-	152,850
Community Service Initiative		
In-State	-	600
Local Coordinating Council	32,929	69,981
Local Access Training	109,198	114,847
Wraparound Funds	87,191	257,600
After School	65,890	234,977
Child Advocacy Center	-	30,000
Juvenile Alternatives	85,200	90,515
Family Partnership Coalition	69,718	75,936
Earned reinvestment programs	92,619	-
Community Care Intensive	234,167	271,435
Other	40,954	15,928
Truancy Prevention Elementary Pilot	165,702	166,939
RDEF - Eastern Shore Training	24,881	-
Total subcabinet fund	<u>1,271,916</u>	<u>1,745,303</u>
Federal grants	421,241	463,007
Other state grant	95,188	152,667
Community grants	-	2,000
Salaries - general	-	8,357
Total expenditures	<u>1,788,345</u>	<u>2,371,334</u>
Deficiency of revenues over expenditures	<u>(142,475)</u>	<u>(22,964)</u>
Other financing sources		
Interest income	1,062	2
Interfund transfer	-	43,392
Miscellaneous income	-	459
Total other financing sources	<u>1,062</u>	<u>43,853</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (141,413)</u>	<u>\$ 20,889</u>