

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2011

WICOMICO COUNTY, MARYLAND

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WICOMICO COUNTY, MARYLAND

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INDEPENDENT AUDITORS' REPORT

To the County Council and County Executive of
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PKF INTERNATIONAL

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, 2011, 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 5.8% and 35.2%, respectively of the assets and revenues of the business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 99.0% and 98.8%, 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 the 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 previously 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of Wicomico County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension plan funding progress on pages 5 through 12 and 88 through 92 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 Wicomico County, Maryland's financial statements as a whole. The supplementary schedules on pages 93 through 109 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 12, 2011



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

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We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland ("the County"), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2011. 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.

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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.

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 over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the County in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of management, the members of the County Council of Wicomico County, others within the entity, and federal and state awarding agencies and pass-through entities 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

Salisbury, Maryland
December 12, 2011

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, 2011. 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 showed an increase in net assets of the primary government of about \$8.7 million which is attributable primarily to the reduction of current and long-term liabilities.
- The County's total general fund balance position improved by \$4,701,208. See pages 35-36 for detail of fund balances and page 34 for explanation of Government Accounting Standards Board Statement Number 54 classifications adopted in FY10.
- General fund fiscal year 2011 actual expenses were \$3.4M less than budget. A detail view of budget to actual variance can be found beginning at page 88.
- General fund new revenues increased by \$1,453,397 over fiscal year 2010, excluding the effects of a one-time transfer of \$2M from the Board of Education in fiscal year 2010 and other various transfers as shown.

NEW REVENUES including transfers in	% change	change	FY11 Actual	FY10 Actual
REAL PROPERTY TAX REVENUE	1.9%	\$ 984,616	\$ 52,679,302	\$ 51,694,686
PERSONAL PROPERTY TAX REVENUE	-7.8%	\$ (665,618)	\$ 7,850,822	\$ 8,516,440
LOCAL INCOME TAX	5.3%	\$ 1,979,936	\$ 39,186,250	\$ 37,206,314
RECORDATION	-16.2%	\$ (419,509)	\$ 2,171,210	\$ 2,590,719
OTHER LOCAL TAXES	-9.3%	\$ (113,160)	\$ 1,103,800	\$ 1,216,960
LICENSES AND PERMITS	2.8%	\$ 35,277	\$ 1,290,848	\$ 1,255,571
STATE AND FEDERAL GOVERNMENT GRANTS	-3.1%	\$ (104,003)	\$ 3,219,266	\$ 3,323,269
SERVICE CHARGE REVENUE	-16.8%	\$ (629,335)	\$ 3,125,476	\$ 3,754,811
FINES AND FORFEITURES	21.7%	\$ 12,008	\$ 67,414	\$ 55,406
MISCELLANEOUS REVENUE	41.5%	\$ 675,413	\$ 2,302,864	\$ 1,627,451
INVESTMENT EARNINGS	-58.5%	\$ (162,242)	\$ 115,177	\$ 277,419
IMPACT FEES	-29.4%	\$ (139,986)	\$ 336,267	\$ 476,253
NEW REVENUES excluding BOE and Transfers	1.3%	\$ 1,453,397	\$ 113,448,696	\$ 111,995,299
TRANSFERS	17.4%	\$ 101,453	\$ 683,374	\$ 581,921
ONE-TIME REIMBURSEMENT FROM BOARD OF EDUCATION	-100.0%	\$ (2,000,000)	\$ -	\$ 2,000,000
TOTAL NEW REVENUE	-0.4%	\$ (445,150)	\$ 114,132,070	\$ 114,577,220

- General fund actual expenses decreased by \$7M compared to fiscal year 2010. Summary of department changes with absolute value greater than \$100,000 are shown below. The Board of Education includes principal and interest payments related to school projects.

Department Expenses	% Change	Change	FY11 Actual	FY10 Actual
CONTRIBUTION TO ROADS	426%	\$ 2,005,857	\$ 2,476,431	\$ 470,574
ELECTIONS	85%	\$ 390,945	\$ 849,889	\$ 458,944
DEBT RETIREMENT - COUNTY ONLY	16%	\$ 367,629	\$ 2,699,087	\$ 2,331,458
HOSPITAL & DISABILITY & UNEMPLOYMENT	-4%	\$ (181,666)	\$ 4,994,511	\$ 5,176,177
SHERIFF'S DEPARTMENT	-3%	\$ (184,397)	\$ 7,041,835	\$ 7,226,232
CORRECTIONS	-7%	\$ (799,275)	\$ 10,680,121	\$ 11,479,396
PUBLIC HEALTH	-9%	\$ (268,901)	\$ 2,856,283	\$ 3,125,184
BOARD OF EDUCATION - INCLUDING DEBT	-11%	\$ (6,672,465)	\$ 54,129,826	\$ 60,802,291
PLANNING AND ZONING	-12%	\$ (105,634)	\$ 779,068	\$ 884,702
COMMUNITY COLLEGE	-13%	\$ (461,316)	\$ 3,000,000	\$ 3,461,316
FINANCE	-13%	\$ (133,019)	\$ 861,444	\$ 994,463
GENERAL SERVICES	-18%	\$ (190,957)	\$ 875,692	\$ 1,066,649
PUBLIC LIBRARY	-19%	\$ (229,398)	\$ 1,000,000	\$ 1,229,398
CIRCUIT COURT	-20%	\$ (202,211)	\$ 816,735	\$ 1,018,946
all other departments	-2%	\$ (304,189)	\$ 16,369,940	\$ 16,674,129
Grand Total	-6%	\$ (6,968,997)	\$ 109,430,862	\$ 116,399,859

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 provide more detailed information about activities that roll up into the government-wide or fund statements that may be of interest to selected segments of County citizens.

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

THE STATEMENT OF NET 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, 2011, the County carried about \$82 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, 2011 and 2010:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	74.53	76.09	24.47	22.02	99.00	98.11
Capital assets	76.12	78.56	67.22	64.88	143.34	143.44
Total Assets	150.65	154.65	91.69	86.90	242.34	241.55
Current and other liabilities	20.80	24.34	3.67	2.99	24.47	27.33
Long-term liabilities	94.96	101.49	9.74	8.95	104.70	110.44
Total Liabilities	115.76	125.83	13.41	11.94	129.17	137.77
Invested in capital assets, net of related debt	0.54	-3.19	63.98	61.97	64.52	58.78
Restricted net assets	20.03	23.44	0.08	0.31	20.11	23.75
Unrestricted net assets	14.32	8.58	14.21	12.69	28.53	21.27
Total Net Assets	34.89	28.83	78.27	74.97	113.16	103.80

The Statement of Net Assets for governmental activities for the fiscal year ending June 30, 2011 shows total net assets of \$35 million, with an unrestricted net assets amount of \$14 million. The County’s business-type activities show \$14.2 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, 2011 and 2010:

	(In millions of dollars)¹					
	Governmental Activities		Business-Type Activities		Component Units	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	8.52	8.79	20.37	20.70	2.52	3.93
Operating & Capital Grants	11.05	9.29	3.17	4.82	52.30	69.08
General Revenues						
Property Taxes	60.27	60.27	-	-	-	-
Local Taxes	42.97	41.63	1.03	0.83	-	-
Other (including transfers)	2.28	3.87	0.37	0.29	148.25	158.87
Total Revenues	125.09	123.85	24.94	26.64	203.07	231.88
Program Expenses						
Governmental Activities						
General Government	19.65	20.92	-	-	-	-
Public Safety	25.55	26.80	-	-	-	-
Public Works	8.49	9.08	-	-	-	-
Health & Welfare	4.47	5.54	-	-	-	-
Education	50.13	74.27	-	-	-	-
Culture and Recreation	4.37	2.92	-	-	-	-
Interest on Long-term debt	4.41	4.27	-	-	-	-
Business-Type Activities						
Solid Waste	-	-	6.31	6.34	-	-
Airport	-	-	3.75	3.74	-	-
Nursing Home	-	-	8.60	8.67	-	-
Youth & Civic Center	-	-	4.00	4.92	-	-
Other	-	-	1.60	1.74	-	-
Component Units						
Board of Education	-	-	-	-	195.03	200.00
Library (and Other)	-	-	-	-	2.62	2.86
Total Expenses	117.07	143.8	24.26	25.41	197.65	202.86
Excess Before Special Items and Transfers	8.02	(19.95)	0.68	1.23	5.42	29.02
Special Items	0.02	(0.06)	-	(0.07)	-	-
Transfers	(2.61)	(0.90)	2.62	0.90	-	-
Change in Net Assets	5.43	(20.91)	3.30	2.06	5.42	29.02
Net Assets - Beginning of year ²	29.46	49.74	74.97	72.91	229.53	200.51
Net Assets - End of year	34.89	28.83	78.27	74.97	234.95	229.53

¹ Numbers may not add due to rounding² Net Assets – Beginning of year are restated as explained in the notes to the financial statements on page 87.

Table 2 shows that the County's total net assets increased by \$8.7 million from fiscal year 2010. This increase was primarily the result of improving income tax revenue receipts and reduced operating expenses.

Table 3

Net Cost of Governmental and Business -Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2011	2010	2011	2010	2011	2010
Governmental						
General government	5.71	8.00	19.65	20.92	13.94	12.92
Public safety	4.07	4.27	25.55	26.80	21.48	22.53
Public works	3.15	1.86	8.49	9.08	5.34	7.22
Education	-	-	50.13	74.27	50.13	74.27
Others	6.63	3.97	8.83	8.46	2.20	4.49
Business Type	23.54	25.52	24.26	25.42	0.72	(0.10)

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 primary contributors to the net cost of business activities were the Convention & Visitors Bureau and Civic Center. See page 20 for details.

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 \$61.8 million, an increase from fiscal year 2010's balance of \$58.7 million.

The General Fund

For fiscal year 2011, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$109.4 million. During the year, several minor budget amendments were passed that increased budget authorization to \$109.8 million. The final budgetary appropriation, after adjusting for carryforward, Civic Center event and Tourism expenditures and transfers in, was about \$112.8 million. The County spent about \$109.4 million, a decrease over last year of about \$7 million. New revenues were greater than budget at about \$114.1 million, an increase over last year of about \$1.6 million: excluding the effects of a \$2M one-time reimbursement from the Board of Education. Expenditures were less than budgeted and less than new revenues, resulting in an increase in fund balance of \$4.7M. The first increase since fiscal year 2007.

Roads

The State began withholding Highway User Revenue (HUR) payments from counties in fiscal year 2010: a cumulative reduction of \$7M. This loss of revenue has been offset in part by a combination of expense reductions, planned use of prior year fund balance and transfers from the county's general fund. For FY2011, \$2.4 million was transferred from the General Fund to Roads. New revenue exceeded budgeted revenue by \$1.1 million; while actual expenses were less than budgeted by \$566 thousand. The result was a small decrease in fund balance of \$211 thousand. Actual new revenue increased \$2.8 million from FY10 to FY11 primarily from the general fund contribution. Actual expenses decreased \$436 thousand (8.4%) from FY10 to FY11 primarily from reductions in spending on road construction & maintenance and personnel costs partially offset by increases in operating costs, chiefly fuel.

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 State has ongoing dialog regarding the restoration of HUR payments; therefore the Roads fund is expected to remain separate.

Enterprise Funds

The County has a number of enterprise funds. Only the Solid Waste fund showed a downward change in net assets of \$141 thousand. This is a smaller loss than last year. While a number of these funds show operating losses, those losses include depreciation, a non-cash expense, and when non-operating revenues are added in, all except Solid Waste and Other (Electrical Board) show a net gain. See notes to the financial statements beginning on page 24.

Capital Asset and Debt Administration

At the end of fiscal year 2011, the County's primary government had about \$143.3 million invested in a broad range of capital assets, including buildings, park facilities, roads & bridges, and equipment, net of depreciation. Table 4 shows highlights of the County's primary government's key capital assets, as of year end.

Table 4 - Capital Assets as of June 30, 2011 and 2010

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land, Buildings & Infrastructure	243.27	241.30	128.94	123.07	372.21	364.37
Accumulated Depreciation	(167.15)	(162.74)	(61.72)	(58.19)	(228.87)	(220.93)
Total Capital Assets, Net of Depreciation	76.12	78.56	67.22	64.88	143.34	143.44

Major projects funded in 2011 include school projects for the Board of Education (\$2 million), Wor-Wic Community College (\$241 thousand) and improvement projects at the Civic Center (\$900 thousand).

The County's fiscal year 2011 capital budget called for it to spend \$30,975,657 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, \$3,996,260 was budgeted to be funded by the County. Of that, \$3,292,449 was spent in fiscal year 2011: \$2,635,510 was bonded and \$656,939 came from internal funds. The balance was deferred to future years. More details about the County's capital assets is presented in the Capital Assets footnote to the financial statements beginning on page 48.

Debt

At year-end, the County had about \$102 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$109 million last year – a decrease of 6.7% percent – as shown in table 5.

Table 5

Outstanding Debt at Year-End

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds*	100.996	107.922	0.960	1.176	101.956	109.098
Loans	0.045	0.220	0.024	0.046	0.069	0.266
Leases and notes payable	0.097	0.191	1.410	0.745	1.507	0.936
Debt not subject to limitation	(0.097)	(0.191)	(1.410)	(0.745)	(1.507)	(0.936)
Totals	101.041	108.142	0.984	1.222	102.025	109.364

*Includes revenue bonds for businesslike activities

The County's general obligation bond rating in fiscal year 2011 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 \$102 million is significantly below this \$262 million limit.

There were no new general obligation bonds issued in calendar year 2011 to fund previously approved CIP projects; principally Bennett Middle School replacement project. This was driven largely by the continued uncertainty in the global economy and an abundance of caution over the direction of the local economy. The fiscal year 2012 capital improvement program (CIP) review and approval process, now ongoing, will address future bond sales for major capital projects.

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 2012 budget, tax rates, and fees that will be charged for the business-type activities, including:

- The economy. The revenue estimates for the fiscal year 2011 budget were formulated in the winter of 2010. This was a period of fiscal uncertainty and declining trends in local employment and economic activity. Conservative estimates of future year's revenues led to the implementation of aggressive expense reduction actions including \$7.6M reduction to the Board of Education operating budget, \$3.6M deferral of pension and OPEB contributions, overtime reductions, un-funding vacant positions, layoff of 17 personnel, a second year of employee furloughs, deferral of capital spending, \$4.6M reductions to operating budgets including the library and community college, budgeted use of prior year revenue and the initiation of an early retirement incentive program that took effect on the first day of fiscal year 2012. As calendar year 2010 came to an end, and the revenue estimating process for fiscal year 2012 was beginning, the 12 month moving average of total county employment had just stopped declining. The good news, and the source of the income tax revenue budget beat for FY11 was that employment numbers continued to improve through September

2011, the latest data available as this is written. This also bodes well for income tax revenues exceeding the FY12 budget estimate as job growth as exceeded the FY12 budget estimate. However what has not improved to date is the housing market; neither the market value of county homes nor the number of taxable transactions applicable to our recordation tax have improved: they are still in decline. The net assessable property base for the county declined for the FY12 real property tax computations and will decline again for the FY13 computation as well. Setting a real property tax rate in the context of a declining base and in a weakened economy is the largest strategic challenge facing leadership.

- State funding. The State of Maryland as a whole saw improvements in their primary revenue sources as the economy recovered more quickly in the metropolitan based counties on the western shore. None-the-less, the State expenses remain higher than new revenues. This chronic gap has not only precluded the restoration of Highway User Revenue to the counties, but also resulted in a cap being placed on the state income tax based disparity grant program at the FY10 level, ongoing discussions regarding the transfer of teacher pension costs from the State to the local government and the push-down of operating costs such as the 90% of State Department of Assessment and Taxation operating costs which were charged to the counties in fiscal year 2012. The State fiscal year 2013 budget process has begun again with discussion of a billion dollar structural budget deficit.
- The County Revenue Cap. The County is required to set the tax rate to limit revenue increases from real property taxes (excluding new construction) to the lesser of 2 percent or the CPI-U. During the inflation of the housing bubble, the county's net assessable base increased every year through FY11. The cap formula thus dictated that the tax rate be set successively lower each year. This also affects the personal property tax rate, which is set by law at 2.5 times the real property tax rate. When the housing bubble burst in 2006 and housing values began to decline, it was only a matter of time before the net assessable base also began to decline. This happened for the first time with the FY12 computation and will decline again for the FY13 computation. 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. This was the first time that the tax rate had not gone down since the implementation of the revenue cap in 2002. For fiscal year 2012, the tax rate was again set below the maximum allowed by the revenue cap.

The fiscal year 2012 revenue estimates followed from the austere expectations of FY11 with the gap between new revenue and expenses being closed by another substantial reduction (\$7M) in the county's contribution to the Board of Education's operating budget, the third consecutive year of county employee furloughs with no pay raises, the early retirement of 44 employees, continued deferral of OPEB trust contributions; plus increased transfers from the General Fund to Roads, State directed county funding of \$735 thousand for local SDAT operations and the budgeted use of \$2.1M of prior year revenue. Despite continued, yet slowing, decline in housing activity, employment and economic activity, as measured by sales tax collections, are improving from the levels initially envisioned in the FY12 revenue estimates. These trends, coupled with disciplined execution of the FY12 expense budget could yield a second year of net fund balance improvement and create an opportunity to fund deferred infrastructure needs on a pay-go basis. The strategic decision regarding the real property tax rate vis-à-vis declining net assessable property tax base will also play a major role in how future infrastructure projects are funded and scheduled.

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 2011 budget was the fifth 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 Acting Administrator Sharon A. Morris	410-548-4801
Financial Results	Director of Finance Andrew G. Mackel	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, 2011

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and cash equivalents	\$ 63,925,603	\$ 20,603,326	\$ 84,528,929
Certificates of deposit	-	200,000	200,000
Receivables	1,802,628	2,204,636	4,007,264
Internal balances	520,681	(520,681)	-
Advance due from other funds	-	1,000,000	1,000,000
Due from other governmental agencies	6,570,710	855,853	7,426,563
Inventories	298,685	119,265	417,950
Deferred charges - issuance costs	505,868	5,953	511,821
Other assets	910,052	2,161	912,213
Net capital assets	76,115,654	67,215,199	143,330,853
Total assets	<u>150,649,881</u>	<u>91,685,712</u>	<u>242,335,593</u>
LIABILITIES			
Accounts payable and accrued expenses	6,223,503	1,995,140	8,218,643
Accrued payroll and taxes	1,395,831	145,358	1,541,189
Due to other governmental agencies	492,546	9,628	502,174
Deferred revenues	700,627	605,017	1,305,644
Long-term liabilities			
Due within one year			
Capital lease obligations	96,954	393,262	490,216
Bonds, notes, and loans payable	10,044,557	361,183	10,405,740
Accrued interest payable	737,111	14,033	751,144
Compensated absences	1,032,262	141,675	1,173,937
Due to other governmental agencies	75,455	-	75,455
Due in more than one year			
Capital lease obligations	-	1,007,932	1,007,932
Bonds, notes, and loans payable	90,996,880	1,468,448	92,465,328
Compensated absences	2,420,243	315,118	2,735,361
Advance from other funds	1,000,000	-	1,000,000
Due to other governmental agencies	539,952	-	539,952
Accrued landfill closure and post-closure costs	-	6,948,735	6,948,735
Total liabilities	<u>115,755,921</u>	<u>13,405,529</u>	<u>129,161,450</u>
NET ASSETS			
Invested in capital assets, net of related debt	541,567	63,984,374	64,525,941
Restricted for			
Capital projects	651,502	-	651,502
Other projects	19,377,584	83,595	19,461,179
Unrestricted	14,323,307	14,212,214	28,535,521
Total net assets	<u>\$ 34,893,960</u>	<u>\$ 78,280,183</u>	<u>\$ 113,174,143</u>

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>
\$ 246,793	\$ 672,944	\$ 919,737	\$ 85,448,666
35,633,496	-	35,633,496	35,833,496
680,256	2,245	682,501	4,689,765
-	-	-	-
-	-	-	1,000,000
9,046,777	29,450	9,076,227	16,502,790
764	-	764	418,714
-	-	-	511,821
2,303,638	-	2,303,638	3,215,851
213,405,081	1,814,014	215,219,095	358,549,948
<u>261,316,805</u>	<u>2,518,653</u>	<u>263,835,458</u>	<u>506,171,051</u>
17,228,226	12,694	17,240,920	25,459,563
1,614,846	29,053	1,643,899	3,185,088
3,189,068	-	3,189,068	3,691,242
2,095,501	-	2,095,501	3,401,145
887,134	-	887,134	1,377,350
-	-	-	10,405,740
-	-	-	751,144
317,542	71,023	388,565	1,562,502
-	-	-	75,455
568,851	-	568,851	1,576,783
-	-	-	92,465,328
2,783,526	96,401	2,879,927	5,615,288
-	-	-	1,000,000
-	-	-	539,952
-	-	-	6,948,735
<u>28,684,694</u>	<u>209,171</u>	<u>28,893,865</u>	<u>158,055,315</u>
211,949,096	1,814,014	213,763,110	278,289,051
5,087,896	-	5,087,896	5,739,398
7,268,706	32,272	7,300,978	26,762,157
8,326,413	463,196	8,789,609	37,325,130
<u>\$ 232,632,111</u>	<u>\$ 2,309,482</u>	<u>\$ 234,941,593</u>	<u>\$ 348,115,736</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

<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	\$ 19,646,069	\$ 2,608,085	\$ 3,105,737	\$ -
Public safety	25,551,161	2,277,049	1,791,917	-
Public works	8,493,078	1,605,177	1,531,426	12,917
Health and welfare	4,465,278	568,100	1,264,330	-
Education	50,128,250	-	-	-
Culture and recreation	4,365,154	1,462,104	3,339,938	-
Interest on long-term debt	4,409,250	-	-	-
Total governmental activities	<u>117,058,240</u>	<u>8,520,515</u>	<u>11,033,348</u>	<u>12,917</u>
Business-type activities				
Solid Waste	6,313,185	6,339,723	-	-
Airport	3,750,248	1,071,213	3,123,687	-
Nursing Home	8,596,747	8,762,183	-	-
Urban Services	503,453	501,233	-	-
Convention & Visitors Bureau	1,061,727	519,651	44,998	-
Civic Center	4,001,062	3,152,245	-	-
Other business-type activities	36,619	22,776	-	-
Total business-type activities	<u>24,263,041</u>	<u>20,369,024</u>	<u>3,168,685</u>	<u>-</u>
Total primary government	<u>\$ 141,321,281</u>	<u>\$ 28,889,539</u>	<u>\$ 14,202,033</u>	<u>\$ 12,917</u>
Component Units				
Board of Education	\$ 195,030,830	\$ 2,342,327	\$ 43,709,776	\$ 8,202,898
Wicomico County Free Library	2,618,670	175,270	379,233	8,214
Total component units	<u>\$ 197,649,500</u>	<u>\$ 2,517,597</u>	<u>\$ 44,089,009</u>	<u>\$ 8,211,112</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 gain on disposal of fixed assets
Special item - donation 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.

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Units</u>			
<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>
\$ (13,932,247)	-	\$ (13,932,247)	\$ -	\$ -	\$ -	\$ (13,932,247)
(21,482,195)	-	(21,482,195)	-	-	-	(21,482,195)
(5,343,558)	-	(5,343,558)	-	-	-	(5,343,558)
(2,632,848)	-	(2,632,848)	-	-	-	(2,632,848)
(50,128,250)	-	(50,128,250)	-	-	-	(50,128,250)
436,888	-	436,888	-	-	-	436,888
(4,409,250)	-	(4,409,250)	-	-	-	(4,409,250)
<u>(97,491,460)</u>	<u>-</u>	<u>(97,491,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,491,460)</u>
-	26,538	26,538	-	-	-	26,538
-	444,652	444,652	-	-	-	444,652
-	165,436	165,436	-	-	-	165,436
-	(2,220)	(2,220)	-	-	-	(2,220)
-	(497,078)	(497,078)	-	-	-	(497,078)
-	(848,817)	(848,817)	-	-	-	(848,817)
-	(13,843)	(13,843)	-	-	-	(13,843)
-	<u>(725,332)</u>	<u>(725,332)</u>	-	-	-	<u>(725,332)</u>
<u>\$ (97,491,460)</u>	<u>\$ (725,332)</u>	<u>\$ (98,216,792)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (98,216,792)</u>
\$ -	\$ -	\$ -	\$ (140,775,829)	\$ -	\$ (140,775,829)	\$ (140,775,829)
-	-	-	-	(2,055,953)	(2,055,953)	(2,055,953)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,775,829)</u>	<u>\$ (2,055,953)</u>	<u>\$ (142,831,782)</u>	<u>\$ (142,831,782)</u>
\$ 60,271,478	\$ -	\$ 60,271,478	\$ -	\$ -	\$ -	\$ 60,271,478
42,974,607	1,029,533	44,004,140	-	-	-	44,004,140
-	-	-	103,040,371	12,229	103,052,600	103,052,600
-	-	-	43,196,892	1,837,992	45,034,884	45,034,884
121,206	63,444	184,650	27,206	1,308	28,514	213,164
2,156,440	303,661	2,460,101	131,922	-	131,922	2,592,023
15,077	-	15,077	-	-	-	15,077
-	24,645	24,645	-	-	-	24,645
<u>(2,615,444)</u>	<u>2,615,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>102,923,364</u>	<u>4,036,727</u>	<u>106,960,091</u>	<u>146,396,391</u>	<u>1,851,529</u>	<u>148,247,920</u>	<u>255,208,011</u>
5,431,904	3,311,395	8,743,299	5,620,562	(204,424)	5,416,138	14,159,437
29,462,056	74,968,788	104,430,844	227,011,549	2,513,906	229,525,455	333,956,299
<u>\$ 34,893,960</u>	<u>\$ 78,280,183</u>	<u>\$ 113,174,143</u>	<u>\$ 232,632,111</u>	<u>\$ 2,309,482</u>	<u>\$ 234,941,593</u>	<u>\$ 348,115,736</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<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	\$ 29,888,951	\$ 335,210	\$ 29,219,494	\$ 3,172,141	\$ 1,309,807	\$ 63,925,603
Taxes receivable, net	441,622	-	-	-	-	441,622
Other receivables	801,323	10,358	-	204,982	2,372	1,019,035
Due from other funds	551,452	-	-	-	-	551,452
Due from other governmental agencies	4,233,211	2,268,110	-	-	-	6,501,321
Inventories	-	-	-	295,015	3,670	298,685
Prepaid expenses	471,311	-	-	-	-	471,311
Total assets	<u>36,387,870</u>	<u>2,613,678</u>	<u>29,219,494</u>	<u>3,672,138</u>	<u>1,315,849</u>	<u>73,209,029</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	1,522,024	777,885	3,659,006	189,475	75,113	6,223,503
Accrued payroll and taxes	1,216,956	39,180	-	117,616	22,079	1,395,831
Due to other funds	-	-	-	250,000	-	250,000
Advance from other funds	1,000,000	-	-	-	-	1,000,000
Payable to other governmental agencies	492,546	-	-	-	-	492,546
Deferred revenues	332,406	631,572	-	-	2,180	966,158
Accrued compensated absences	924,792	20,086	-	87,384	-	1,032,262
Total liabilities	<u>5,488,724</u>	<u>1,468,723</u>	<u>3,659,006</u>	<u>644,475</u>	<u>99,372</u>	<u>11,360,300</u>
Fund balances						
Nonspendable	471,311	-	-	295,015	3,670	769,996
Restricted	2,799,998	1,144,955	23,243,108	88,455	86,889	27,363,405
Committed	8,524,438	-	2,317,380	-	-	10,841,818
Assigned	1,445,230	-	-	2,644,193	1,125,918	5,215,341
Unassigned	17,658,169	-	-	-	-	17,658,169
Total fund balances	<u>30,899,146</u>	<u>1,144,955</u>	<u>25,560,488</u>	<u>3,027,663</u>	<u>1,216,477</u>	<u>61,848,729</u>
Total liabilities and fund balances	<u>\$ 36,387,870</u>	<u>\$ 2,613,678</u>	<u>\$ 29,219,494</u>	<u>\$ 3,672,138</u>	<u>\$ 1,315,849</u>	<u>\$ 73,209,029</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, 2011

Total fund balance, governmental funds	\$	61,848,729
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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.		76,115,654
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Notes receivable		286,195
Provision of deferred taxes		265,531
Pre-payment of post-retirement employment benefits		438,741
Other receivables		344,394

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		(101,041,437)
Deferred charges - issuance costs		505,868
Capital leases		(96,954)
Due to other governmental agencies		(615,407)
Accrued interest		(737,111)
Compensated absences		(2,420,243)
		(2,420,243)

Net assets of governmental activities in the Statement of Net Assets	\$	34,893,960
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WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<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	\$ 60,530,124	\$ -	\$ -	\$ -	\$ -	\$ 60,530,124
Income taxes	39,186,250	-	-	-	-	39,186,250
Other taxes	3,275,010	-	-	457,571	-	3,732,581
Licenses and permits	1,290,848	-	-	-	-	1,290,848
Intergovernmental	3,219,266	8,118,396	285,224	12,917	-	11,635,803
Charges for services	3,461,743	38,619	-	1,571,542	1,412,432	6,484,336
Fines and forfeitures	67,414	-	-	-	-	67,414
Miscellaneous	2,302,864	3,071	-	10,958	12,684	2,329,577
Investment earnings	115,177	1,741	-	3,933	355	121,206
Total revenues	<u>113,448,696</u>	<u>8,161,827</u>	<u>285,224</u>	<u>2,056,921</u>	<u>1,425,471</u>	<u>125,378,139</u>
EXPENDITURES						
Current						
General government	8,337,548	1,453,273	238,545	-	-	10,029,366
Public safety	13,187,620	1,015,676	-	-	-	14,203,296
Detention Center	10,680,121	-	-	-	-	10,680,121
Public works	957,210	1,540,551	123,838	4,380,991	-	7,002,590
Health and welfare	2,951,976	-	-	-	-	2,951,976
Social services	197,113	1,292,596	-	-	-	1,489,709
Education	47,279,194	-	2,849,056	-	-	50,128,250
Culture and recreation	1,625,615	1,525,838	81,010	-	935,789	4,168,252
Miscellaneous	7,577,933	-	-	-	-	7,577,933
Debt service						
Principal	9,454,208	-	-	294,214	10,408	9,758,830
Interest and other charges	4,177,813	-	-	110,712	1,208	4,289,733
Total expenditures	<u>106,426,351</u>	<u>6,827,934</u>	<u>3,292,449</u>	<u>4,785,917</u>	<u>947,405</u>	<u>122,280,056</u>
Excess (deficiency) of revenues over expenditures	<u>7,022,345</u>	<u>1,333,893</u>	<u>(3,007,225)</u>	<u>(2,728,996)</u>	<u>478,066</u>	<u>3,098,083</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt, net	-	-	2,635,510	-	-	2,635,510
Refunding bonds issued	-	-	4,193,713	-	-	4,193,713
Payment to refunded bond escrow agent	-	-	(4,193,713)	-	-	(4,193,713)
Transfers in	683,374	250,917	57,721	2,517,988	54,537	3,564,537
Transfers out	(3,004,511)	(1,534,218)	(1,207,536)	-	(433,716)	(6,179,981)
Total other financing sources (uses)	<u>(2,321,137)</u>	<u>(1,283,301)</u>	<u>1,485,695</u>	<u>2,517,988</u>	<u>(379,179)</u>	<u>20,066</u>
Net change in fund balances	4,701,208	50,592	(1,521,530)	(211,008)	98,887	3,118,149
Fund balances, as restated - beginning	26,197,938	1,094,363	27,082,018	3,238,671	1,117,590	58,730,580
Fund balances - ending	<u>\$ 30,899,146</u>	<u>\$ 1,144,955</u>	<u>\$ 25,560,488</u>	<u>\$ 3,027,663</u>	<u>\$ 1,216,477</u>	<u>\$ 61,848,729</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, 2011

Net change in fund balances - total governmental funds \$ 3,118,149

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation, \$5,637,647, exceed capital outlays, \$2,653,242, in the current period. (2,984,405)

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. (189,362)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 7,232,707

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	(258,646)
Payment on other liability not reflected on governmental funds	161,671
Accruals not reported on governmental funds:	
Accrued interest	(119,517)
Accrued post-retirement employment benefits	(2,151,679)
Accrued compensated absences	174,588
Bond issuance costs not reflected on governmental funds	104,008
Other revenues	344,390

Change in net assets of governmental activities \$ 5,431,904

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2011

	<u>Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 12,070,604	\$ 1,450,334	\$ 1,576,350
Certificates of deposit	-	-	200,000
Accounts receivable, net	513,758	53,556	1,360,377
Due from other funds	250,000	-	-
Due from other governmental agencies	-	855,853	-
Inventories	-	-	63,158
Deferred charges and prepaid expenses	-	-	7,608
Total current assets	<u>12,834,362</u>	<u>2,359,743</u>	<u>3,207,493</u>
Non-current assets			
Advance due from General Fund	1,000,000	-	-
Capital assets			
Construction in progress	-	9,468,230	-
Intangibles	17,993	27,500	35,809
Land	30,879	6,402,061	11,156
Land improvements	487,982	886,001	41,915
Land disposal sites - liner costs	18,480,245	-	-
Runways and ramps	-	46,534,932	-
Buildings and improvements	563,072	11,841,926	3,134,041
Equipment and furniture	2,298,460	211,647	1,535,417
Vehicles	6,237,821	1,125,210	8,990
Less accumulated depreciation	<u>(16,955,312)</u>	<u>(32,136,699)</u>	<u>(2,670,759)</u>
Net capital assets	<u>11,161,140</u>	<u>44,360,808</u>	<u>2,096,569</u>
Total non-current assets	<u>12,161,140</u>	<u>44,360,808</u>	<u>2,096,569</u>
Total assets	<u><u>24,995,502</u></u>	<u><u>46,720,551</u></u>	<u><u>5,304,062</u></u>
LIABILITIES			
Current liabilities			
Accounts payable	168,140	827,162	714,146
Accrued payroll and taxes	71,894	11,961	-
Due to other governmental agencies	-	-	955
Deferred revenues	59,454	151,916	-
Capital lease obligation	393,262	-	-
Bonds, notes, and loans payable	181,618	32,813	100,575
Accrued interest payable	2,389	253	-
Due to other funds	-	-	339,310
Compensated absences	79,357	15,278	-
Total current liabilities	<u>956,114</u>	<u>1,039,383</u>	<u>1,154,986</u>
Non-current liabilities			
Capital lease obligation	1,007,932	-	-
Bonds, notes, and loans payable	346,911	72,074	745,365
Compensated absences	164,932	40,118	-
Accrued landfill closure and post closure costs	6,948,735	-	-
Total non-current liabilities	<u>8,468,510</u>	<u>112,192</u>	<u>745,365</u>
Total liabilities	<u><u>9,424,624</u></u>	<u><u>1,151,575</u></u>	<u><u>1,900,351</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	9,231,417	44,255,921	1,250,629
Restricted for other projects	-	-	-
Unrestricted	6,339,461	1,313,055	2,153,082
Total net assets	<u><u>\$ 15,570,878</u></u>	<u><u>\$ 45,568,976</u></u>	<u><u>\$ 3,403,711</u></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>
\$ 1,725,554	\$ 1,021,915	\$ 2,662,622	\$ 95,947	\$ 20,603,326
-	-	-	-	200,000
133,033	92,189	49,683	2,040	2,204,636
-	-	-	-	250,000
-	-	-	-	855,853
-	294	55,813	-	119,265
-	-	506	-	8,114
<u>1,858,587</u>	<u>1,114,398</u>	<u>2,768,624</u>	<u>97,987</u>	<u>24,241,194</u>
-	-	-	-	1,000,000
-	-	1,864,639	-	11,332,869
-	11,340	5,000	-	97,642
-	-	-	-	6,444,096
1,878,754	-	479,093	-	3,773,745
-	-	-	-	18,480,245
-	-	-	-	46,534,932
-	555,709	13,659,377	-	29,754,125
-	185,352	851,779	-	5,082,655
-	39,575	25,619	-	7,437,215
(1,651,063)	(313,501)	(7,994,991)	-	(61,722,325)
<u>227,691</u>	<u>478,475</u>	<u>8,890,516</u>	<u>-</u>	<u>67,215,199</u>
<u>227,691</u>	<u>478,475</u>	<u>8,890,516</u>	<u>-</u>	<u>68,215,199</u>
<u>2,086,278</u>	<u>1,592,873</u>	<u>11,659,140</u>	<u>97,987</u>	<u>92,456,393</u>
188,552	23,329	73,753	58	1,995,140
-	13,974	46,209	1,320	145,358
8,673	-	-	-	9,628
140,221	-	253,426	-	605,017
-	-	-	-	393,262
-	18,375	27,802	-	361,183
7,500	-	3,891	-	14,033
-	-	431,371	-	770,681
-	15,155	31,885	-	141,675
<u>344,946</u>	<u>70,833</u>	<u>868,337</u>	<u>1,378</u>	<u>4,435,977</u>
-	-	-	-	1,007,932
-	40,360	263,738	-	1,468,448
-	18,810	91,258	-	315,118
-	-	-	-	6,948,735
-	59,170	354,996	-	9,740,233
<u>344,946</u>	<u>130,003</u>	<u>1,223,333</u>	<u>1,378</u>	<u>14,176,210</u>
227,691	419,740	8,598,976	-	63,984,374
83,595	-	-	-	83,595
1,430,046	1,043,130	1,836,831	96,609	14,212,214
<u>\$ 1,741,332</u>	<u>\$ 1,462,870</u>	<u>\$ 10,435,807</u>	<u>\$ 96,609</u>	<u>\$ 78,280,183</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 6,339,723	\$ 1,071,213	\$ 8,725,569
Miscellaneous	-	-	36,614
Total operating revenues	6,339,723	1,071,213	8,762,183
OPERATING EXPENSES			
Personnel services	2,283,049	379,028	5,698,874
Contractual services	360,738	14,941	1,232,756
Utilities	157,709	163,905	282,472
Repairs and maintenance	1,096,509	222,061	68,436
Other supplies and expenses	156,060	66,421	990,035
Insurance claims and expenses	-	26,578	103,599
Provision for post-closure costs	553,822	-	-
Direct costs of events	-	-	-
Depreciation	1,645,053	2,873,908	152,819
Bad debts	-	-	41,735
Total operating expenses	6,252,940	3,746,842	8,570,726
Operating income (loss)	86,783	(2,675,629)	191,457
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	49,045	1,864	5,977
Miscellaneous revenue	25,944	600	5,615
Operating grants and contributions	-	3,123,687	-
Passenger facility charges, net of fees	-	294,625	-
Interest expense	(60,245)	(3,406)	(26,021)
Total non-operating revenue (expense)	14,744	3,417,370	(14,429)
Income (loss) before contributions and transfers	101,527	741,741	177,028
Transfers in	-	-	-
Transfers out	(242,443)	-	-
Change in net assets	(140,916)	741,741	177,028
Total net assets, as restated - beginning	15,711,794	44,827,235	3,226,683
Total net assets - ending	\$ 15,570,878	\$ 45,568,976	\$ 3,403,711

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>
\$ 492,604	\$ -	\$ 3,022,707	\$ 22,776	\$ 19,674,592
8,629	519,651	129,538	-	694,432
<u>501,233</u>	<u>519,651</u>	<u>3,152,245</u>	<u>22,776</u>	<u>20,369,024</u>
-	404,073	1,438,738	32,547	10,236,309
5,029	105,189	42,491	1,460	1,762,604
403,307	21,589	277,457	243	1,306,682
-	15,103	111,641	-	1,513,750
62,860	64,392	107,235	2,369	1,449,372
-	-	-	-	130,177
-	-	-	-	553,822
-	418,826	1,623,404	-	2,042,230
24,757	30,584	387,643	-	5,114,764
-	-	-	-	41,735
<u>495,953</u>	<u>1,059,756</u>	<u>3,988,609</u>	<u>36,619</u>	<u>24,151,445</u>
<u>5,280</u>	<u>(540,105)</u>	<u>(836,364)</u>	<u>(13,843)</u>	<u>(3,782,421)</u>
2,461	42	4,055	-	63,444
-	755,610	275,439	6	1,063,214
-	44,998	-	-	3,168,685
-	-	-	-	294,625
(7,500)	(1,971)	(12,453)	-	(111,596)
<u>(5,039)</u>	<u>798,679</u>	<u>267,041</u>	<u>6</u>	<u>4,478,372</u>
241	258,574	(569,323)	(13,837)	695,951
-	-	3,066,417	-	3,066,417
-	(104,915)	(103,615)	-	(450,973)
241	153,659	2,393,479	(13,837)	3,311,395
1,741,091	1,309,211	8,042,328	110,446	74,968,788
<u>\$ 1,741,332</u>	<u>\$ 1,462,870</u>	<u>\$ 10,435,807</u>	<u>\$ 96,609</u>	<u>\$ 78,280,183</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 6,445,560	\$ 1,682,070
Payments to suppliers for goods and services	(1,737,212)	(232,426)
Payments to employees for services	(2,263,515)	(375,880)
Net cash provided (used) by operating activities	2,444,833	1,073,764
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(200,884)	-
(Increase) decrease in due from/advances from other funds	(22,500)	-
Donations	-	-
Net cash provided (used) by noncapital financing activities	(223,384)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(60,806)	(3,439)
Acquisition and construction of capital assets	(300,357)	(3,289,621)
Principal payments on notes and bonds payable	(635,756)	(29,700)
Capital contributions	-	3,123,687
Federal and state grants	-	-
Net cash provided by capital and related financing activities	(996,919)	(199,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	49,045	1,864
Other income	21,529	632
Net cash provided by investing activities	70,574	2,496
NET INCREASE (DECREASE) IN CASH	1,295,104	877,187
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,775,500	573,147
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,070,604	\$ 1,450,334
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 86,783	\$ (2,675,629)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,645,053	2,873,908
Passenger facility charges, net of fees	-	294,625
Provision for bad debt	-	-
Changes in assets and liabilities:		
Accounts receivable	180,094	1,673
Other receivables	-	-
Prepaid expenses	-	-
Due to/from other governmental agencies	-	281,565
Inventories	-	-
Accounts payable and accrued expenses	53,338	264,628
Landfill closure and post-closure cost	553,822	-
Deferred revenues	(74,257)	32,994
Net cash provided (used) by operating activities	\$ 2,444,833	\$ 1,073,764

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,398,068	\$ 497,882	\$ 535,811	\$ 3,375,558	\$ 37,705	\$ 20,972,654
(4,194,179)	(455,067)	(630,184)	(2,172,561)	(4,191)	(9,425,820)
(4,091,333)	-	(403,407)	(1,409,335)	(32,425)	(8,575,895)
<u>112,556</u>	<u>42,815</u>	<u>(497,780)</u>	<u>(206,338)</u>	<u>1,089</u>	<u>2,970,939</u>
-	-	(104,915)	2,962,802	-	2,657,003
-	-	-	(364,481)	-	(386,981)
2,020	-	-	-	-	2,020
<u>2,020</u>	<u>-</u>	<u>(104,915)</u>	<u>2,598,321</u>	<u>-</u>	<u>2,272,042</u>
(26,021)	(7,500)	(1,927)	(12,808)	-	(112,501)
(29,439)	-	-	(2,730,520)	-	(6,349,937)
(99,424)	-	(16,632)	(27,454)	-	(808,966)
-	-	-	-	-	3,123,687
-	-	44,998	-	-	44,998
<u>(154,884)</u>	<u>(7,500)</u>	<u>26,439</u>	<u>(2,770,782)</u>	<u>-</u>	<u>(4,102,719)</u>
5,977	2,461	42	4,055	-	63,444
3,595	-	755,611	274,749	6	1,056,122
<u>9,572</u>	<u>2,461</u>	<u>755,653</u>	<u>278,804</u>	<u>6</u>	<u>1,119,566</u>
(30,736)	37,776	179,397	(99,995)	1,095	2,259,828
1,607,086	1,687,778	842,518	2,762,617	94,852	18,343,498
<u>\$ 1,576,350</u>	<u>\$ 1,725,554</u>	<u>\$ 1,021,915</u>	<u>\$ 2,662,622</u>	<u>\$ 95,947</u>	<u>\$ 20,603,326</u>
\$ 191,457	\$ 5,280	\$ (540,105)	\$ (836,364)	\$ (13,843)	\$ (3,782,421)
154,248	24,757	30,584	387,643	-	5,116,193
-	-	-	-	-	294,625
94,345	-	-	-	-	94,345
(213,323)	(5,005)	16,160	3,437	14,929	(2,035)
-	1,414	-	-	-	1,414
136	-	-	2,147	-	2,283
(150,792)	(3,660)	-	-	-	127,113
(4,181)	-	(116)	(21,998)	-	(26,295)
48,762	19,789	(4,303)	38,921	3	421,138
-	-	-	-	-	553,822
(8,096)	240	-	219,876	-	170,757
<u>\$ 112,556</u>	<u>\$ 42,815</u>	<u>\$ (497,780)</u>	<u>\$ (206,338)</u>	<u>\$ 1,089</u>	<u>\$ 2,970,939</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,527,182	\$ 3,924,353	\$ 577,507	\$ 7,029,042
Investments	-	42,716,163	6,687,317	49,403,480
Accounts receivable	36,446	-	-	36,446
Due on the behalf of others	616	-	-	616
Total assets	2,564,244	46,640,516	7,264,824	56,469,584
LIABILITIES				
Accounts payable	466,332	-	-	466,332
Held on the behalf of others	2,097,912	-	-	2,097,912
Total liabilities	2,564,244	-	-	2,564,244
NET ASSETS				
Held in trust for retirement benefits	-	46,640,516	7,264,824	53,905,340
Total net assets	\$ -	\$ 46,640,516	\$ 7,264,824	\$ 53,905,340

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, 2011

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 1,593,765	\$ 98,532	\$ 1,692,297
Investment earnings			
Net increase in fair value of investments	4,184,425	723,455	4,907,880
Interest and dividends	1,447,673	208,914	1,656,587
Gain on sale of investments	2,139,124	286,582	2,425,706
Total net investment earnings	<u>7,771,222</u>	<u>1,218,951</u>	<u>8,990,173</u>
Total additions	<u>9,364,987</u>	<u>1,317,483</u>	<u>10,682,470</u>
DEDUCTIONS			
Benefits	2,011,045	-	2,011,045
Administrative	177,686	21,762	199,448
Total deductions	<u>2,188,731</u>	<u>21,762</u>	<u>2,210,493</u>
Change in net assets	7,176,256	1,295,721	8,471,977
Net assets - beginning	<u>39,464,260</u>	<u>5,969,103</u>	<u>45,433,363</u>
Net assets - ending	<u>\$ 46,640,516</u>	<u>\$ 7,264,824</u>	<u>\$ 53,905,340</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 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, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

The County Council is responsible for appointing the members of the boards of various other organizations, but the County's accountability for these organizations 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, 2011

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, 2011

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 and Electrical Board.

3. Fiduciary Funds:

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

- a. Inmate Welfare Fund is used to account for assets held for and due to inmates of the Wicomico County Detention Center.
- b. 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, 2011

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, 2011

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, 2011, the County's share was \$11,252,301.

The amount related to late filers, delinquent returns and audits, and unallocated withholding is a rolling estimate – i.e., the County does not receive earmarked funds from the reserve, the State merely adjusts the County's share at year end for the revenue it distributed during the prior year related to these revenue sources offset by the new estimates for the succeeding year. Therefore, the County does not accrue for this receivable because it is not the intention of the State to pay those funds to the County in fiscal year 2012, 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.

Also embedded in the State's reserve computation for each county is the effect of State actions to close budget shortfalls. The State has borrowed from the local income tax reserve fund of all counties three times. The first was in fiscal 2009 where the State borrowed \$366,788,631 and the Legislature provided that the State would pay it back. The second was fiscal year 2010 where the State borrowed \$350,000,000 and the Legislature indicated that the State would pay it back. The third was in fiscal year 2011 for \$200,000,000 and the State is scheduled to pay it back to the fund.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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.

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, 2011.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

- (6) All annual appropriations lapse at fiscal year end.

Use of Estimates

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

Interfund Activity

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. Issuance 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.

Revenues

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2011 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, 2011, both local property taxes receivable and due to other governments included \$103,592 due on behalf of and to the City of Salisbury.

Cash Flows

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

Expenditures

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

Encumbrances

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet

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

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

General Fund

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

1. Nonspendable: prepaid expenses.

Prepaid expenses	\$ 471,311
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2. Restricted: Reserve for Shore Transit, which is a County match to State funds, and the Rate Stabilization Reserve for health insurance, which is governed by a contract; all encumbrances in all governmental funds are also restricted.

Shore Transit	\$ 98,102
Encumbrances	391,288
Early retiree reinsurance program	7,134
Health care rate stabilization	2,096,602
Undistributed employee health contribution	206,872
Total	<u>\$ 2,799,998</u>

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

Subsequent year's expenditures	\$ 2,796,609
Commitments and emergencies	5,727,829
Total	<u>\$ 8,524,438</u>

4. Assigned: All other reserves not noted above are assigned. This includes the following:

Arbitrage	\$ 108,951
Working capital, Detention Center vending	1,000
Death benefits	267,855
Self-insurance	986,947
Chamber improvements	1,377
GIS mapping	79,100
Total	<u>\$ 1,445,230</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications – Balance Sheet (Continued)

General Fund (Continued)

5. Unassigned: The residual fund balance in the general fund is the unassigned fund balance that has not been restricted, committed, or assigned.

Unassigned	<u>\$ 17,658,169</u>
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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, FY2011, and FY2012. 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. There are ongoing discussions at the State level, and legislative working groups continue to meet with the goal of restoring funding to the Counties; therefore, we have not reclassified the Roads fund into the General Fund. If HUR funding is not restored within the next few years, we will revisit the decision to bring the Roads operation 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, 2011**

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Wicomico County

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

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (Continued)

At June 30, 2011, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$84,728,929 and the bank balance was \$87,652,921. All deposits are carried at cost plus accrued interest. Of the bank balance \$64,580,322 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 \$23,072,599 were exposed to custodial credit risk as follows:

FDIC coverage	\$	2,827,781
Uninsured and collateral held in County's name		1,342,868
Uninsured and collateral held but not in County's name		18,522,841
Uninsured and uncollateralized		<u>379,109</u>
	<u>\$</u>	<u>23,072,599</u>

Custodial Credit Risk

The collateralization requirements described in the preceding section are established to reduce custodial credit risk which is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of June 30, 2011, \$379,109 of the County's bank balance was exposed to custodial credit risk. This amount is comprised of checks deposited with the Bank of America that appear on the ledger balance in the County's account but are not yet collected. At the close of each business day, the Bank of America, through the Bank of New York Mellon, provides collateralization of all collected funds. Uncollected funds are insured by the FDIC up to \$250,000. Any uncollected amount above that level is uninsured and subject to custodial credit risk. This is a systemic risk to which the County would be exposed while using a similar checking account at any other banking institution.

Credit Risk

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

Concentration of Credit Risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 76% 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 76% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2011, the actual yield of the MLGIP is estimated to be 0.17%. 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, 2011

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, 2011, the carrying amount of the County's cash deposits held on behalf of agency funds was \$2,527,182 and the bank balance was \$1,200,461. Of the bank balance, \$555,243 was deposited in MLGIP. The remaining bank balance was secured by acceptable collateral, therefore, not exposed to custodial credit risk.

Wicomico County - Pension and Health Care Trust Fund Investments

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

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

Pension and Health Care Trust Funds are invested as follows:

	Pension Trust Fund		Health Care Trust Fund GASB 45
	State Street	Aetna	State Street
Cash and equivalents	\$ 3,212,842	\$ 711,511	\$ 577,507
Government bonds	5,637,067	-	1,118,217
Fixed income	383,308	-	42,000
Corporate bonds	8,806,541	1,527,402	1,327,365
Equities	20,820,382	-	3,204,641
Foreign assets	5,541,463	-	995,094
Total	\$ 44,401,603	\$ 2,238,913	\$ 7,264,824

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

State Street:

Corporate bond issues for pension and health plans at rounded market value held at June 30, 2011 are as follows:

			Due
\$	271,543	AT&T Corp.	4.85% 02/15/14
\$	297,741	BP Cap Markets PLC	3.13% 10/01/15
\$	106,818	Baker Hughes Inc.	6.50% 11/15/13
\$	271,064	Baker Hughes Inc.	7.50% 11/15/18
\$	72,953	Bank of America	4.88% 09/15/12
\$	290,277	Berkshire Hathaway	4.63% 10/15/13
\$	124,208	Berkshire Hathaway	5.00% 08/15/13
\$	43,728	Brown-Forman Corp.	5.00% 02/01/14
\$	313,918	Caterpillar Inc.	7.00% 12/15/13
\$	159,181	Cisco Systems Inc	5.50% 02/22/16
\$	157,052	ConocoPhillips Corp.	5.20% 05/15/18
\$	327,342	ConocoPhillips Corp.	4.75% 02/01/14
\$	51,990	Deere & Co	8.50% 01/09/22
\$	197,327	Dupont El De Nemours	6.00% 07/15/18
\$	42,256	Dupont El De Nemours	5.88% 01/15/14
\$	193,818	General Dynamics Corp.	5.25% 02/01/14
\$	477,470	General Electric Co.	5.25% 12/06/17
\$	323,917	Gen Elec Cap Corp	3.00% 12/09/11
\$	65,317	GlaxoSmithKline PLC	4.38% 04/15/14
\$	328,979	Goldman Sachs Group	3.25% 06/15/12
\$	29,082	GTE Corp	6.84% 04/15/18
\$	280,696	Hewlett Packard Co.	5.50% 03/01/18
\$	112,176	Hewlett Packard Co.	6.13% 03/01/14
\$	328,091	Honeywell International Inc.	4.25% 03/01/13
\$	337,166	IBM Corp	5.70% 09/14/17
\$	323,923	JP Morgan Chase & Co.	3.13% 12/01/11
\$	260,972	Medtronic Inc.	4.75% 09/15/15
\$	150,322	Merrill Lynch & Co.	6.15% 04/25/13
\$	260,307	Nucor Corp.	5.75% 12/01/17
\$	243,512	PPG Industries Inc.	6.88% 02/15/12
\$	341,519	Pepsico Inc.	7.90% 11/01/18
\$	304,419	Pfizer Inc.	5.35% 03/15/15
\$	38,834	Pharmacia Corp debs	8.70% 10/15/21
\$	176,074	Pitney Bowes Inc.	4.75% 10/01/12
\$	388,729	Pitney Bowes Inc.	4.63% 05/15/18
\$	232,052	Prudential Financial inc.	4.50% 07/15/13
\$	165,861	Schering-Plough Corp.	5.30% 12/01/13
\$	213,802	Charles Schwab Corp.	4.95% 06/01/14
\$	290,090	Texas Instrument Inc	2.38% 05/16/16
\$	73,276	Tele-Commun Inc	7.88% 08/01/13
\$	158,754	United Parcel Service	5.50% 01/15/18
\$	171,165	United Technologies Corp.	5.38% 12/15/17
\$	241,490	Washington Post Co.	7.25% 02/01/19
\$	323,987	Wells Fargo & Co.	3.00% 12/09/11
\$	287,331	Wells Fargo & Co.	5.13% 09/01/12
\$	283,370	Wells Fargo & Co.	4.38% 01/31/13

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 \$1.5 billion pool backed by the full financial strength of Aetna Life Insurance Company's general account.

Corporate bonds are 84% of the portfolio. Within the pool, the five largest corporate bond holdings and their S&P ratings at June 30, 2011 are as follows:

		<u>S&P Rating</u>
Province of Quebec	\$ 25,000,000	A+/Aa2
Goldman Sachs Group Inc.	\$ 24,000,000	A-/A2
Corp Andina De Fomento	\$ 17,000,000	A+/A1
Rio Tinto PLC	\$ 17,000,000	A-/A3
JP Morgan Chase & Co	\$ 17,000,000	A/A1

Board of Education of Wicomico County

Deposits and investments other than pension funds:

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the Board's non-pension funds were invested as follows:

	CARRYING VALUE	BANK BALANCE
Cash and cash equivalents	\$ 245,463	\$ 1,778,527

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

Insured	\$ 1,778,527
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	-
	\$ 1,778,527

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created with the passage of Article 94 Section 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated "AAAm" by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Investments in MLGIP totaled \$35,633,496 at June 30, 2011 with \$7,268,706 committed/assigned for health insurance rate stabilization.

Pension and other trust fund investments:

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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	\$ 1,145,682	\$ 46,559	\$ 115,105	\$ 489,461
Government bonds	1,958,906	139,678	132,806	1,793,715
Commercial paper (less than 1 year)	-	118,853	-	-
Mortgage loans	-	325,915	90,085	-
Corporate bonds	3,582,037	1,815,810	831,964	1,310,180
Common stock	8,572,196	-	1,570,634	4,560,318
Total	\$ 15,258,821	\$ 2,446,815	\$ 2,740,593	\$ 8,153,674

Corporate bonds held at June 30, 2011 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	State Street	AETNA	Janus	State Street (GASB 45)
AAA	11.35%		22.43%	9.31%
AA+	6.72%			10.03%
AA	7.85%		5.90%	8.74%
AA-	6.72%			3.70%
A+	14.22%	42.00%		24.41%
A	33.28%	17.00%	16.32%	32.34%
A-	5.63%	41.00%		4.04%
BBB+	14.23%			7.43%
BBB	1.32%		32.56%	
BB			19.24%	
B			3.55%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

State Street:

Corporate bond issues held at June 30, 2011 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
\$	135,000	BHB Billiton Ltd.	5.50% 04/01/14
\$	85,000	BP Capital Markets	3.13% 10/01/15
\$	75,000	Caterpillar Inc.	7.00% 12/15/13
\$	45,000	Cisco Systems Inc.	5.50% 02/22/16
\$	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
\$	11,000	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
\$	125,000	General Electric Co.	5.25% 12/06/17
\$	100,000	General Electric Capital Corp.	3.00% 12/09/11
\$	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
\$	120,000	IMB Corp.	5.70% 09/14/17
\$	100,000	JP Morgan Chase & Co.	3.13% 12/01/11
\$	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
\$	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.	5.30% 12/01/13
\$	50,000	Charles Schwab Corp.	4.95% 06/01/14
\$	80,000	Shell Int'l Finance BV	4.00% 03/21/14
\$	85,000	Texas Instruments Inc.	2.38% 05/16/16
\$	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
\$	80,000	Wells Fargo & Co.	5.13% 09/01/12
\$	75,000	Wells Fargo & Co.	4.38% 01/13/13

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

Aetna:

Corporate bond issues held at June 30, 2011 are as follows:

	<u>Percent of Holdings</u>
Province of Quebec	25.00%
Goldman Sachs Group Inc.	24.00%
JP Morgan Chase & Co.	17.00%
Corp Andina De Formento	17.00%
Rio Tinto PLC	17.00%

Janus:

Corporate bond issues held at June 30, 2011 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 4.45 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 \$404,325, which also approximates the fair market value at June 30, 2011. MLGIP and the Library's exposure to credit, market, or legal risk is not available.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library, Inc. (Continued)

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 \$265,531.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2011 are as follows:

	Governmental Activities				Total
	General Fund	Grants Fund	Roads	Other	
Receivables					
Taxes receivable	\$ 1,794,119	\$ -	\$ -	\$ -	\$ 1,794,119
Notes receivable	-	-	-	286,195	286,195
Due from other governmental agencies	4,282,106	2,288,604	-	-	6,570,710
Other receivables	832,674	10,358	232,040	2,372	1,077,444
Gross receivables	<u>6,908,899</u>	<u>2,298,962</u>	<u>232,040</u>	<u>288,567</u>	<u>9,728,468</u>
Less allowance for uncollectibles	1,355,130	-	-	-	1,355,130
Net total receivables	<u><u>\$ 5,553,769</u></u>	<u><u>\$ 2,298,962</u></u>	<u><u>\$ 232,040</u></u>	<u><u>\$ 288,567</u></u>	<u><u>\$ 8,373,338</u></u>

	Business-Type Activities				Total
	Solid Waste	Airport	Nursing Home	Other	
Receivables					
Accounts receivable	\$ 583,109	\$ 53,556	\$ 1,360,377	\$ 276,945	\$ 2,273,987
Due from other governmental agencies	-	855,853	-	-	855,853
Gross receivables	<u>583,109</u>	<u>909,409</u>	<u>1,360,377</u>	<u>276,945</u>	<u>3,129,840</u>
Less allowance for uncollectibles	69,351	-	-	-	69,351
Net total receivables	<u><u>\$ 513,758</u></u>	<u><u>\$ 909,409</u></u>	<u><u>\$ 1,360,377</u></u>	<u><u>\$ 276,945</u></u>	<u><u>\$ 3,060,489</u></u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CAPITAL ASSETS

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

Primary Government:

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 6,455,892	\$ 50,292	\$ -	\$ (5,330)	\$ 6,500,854
Intangibles	3,857,652	898,499	-	5,330	4,761,481
Construction in progress	3,832,279	1,872,981	(74)	(416,829)	5,288,357
Total capital assets not being depreciated	<u>14,145,823</u>	<u>2,821,772</u>	<u>(74)</u>	<u>(416,829)</u>	<u>16,550,692</u>
Capital assets being depreciated					
Infrastructure	172,433,991	19,544	(467,509)	325,849	172,311,875
Land improvements	1,102,159	-	-	-	1,102,159
Buildings and improvements	34,400,587	198,713	-	25,080	34,624,380
Machinery, office furniture and equipment	7,625,537	243,041	(589,104)	(386,280)	6,893,194
Intangibles	1,063,736	8,000	-	570,919	1,642,655
Vehicles	9,878,236	262,402	(149,650)	151,489	10,142,477
Total capital assets being depreciated	<u>226,504,246</u>	<u>731,700</u>	<u>(1,206,263)</u>	<u>687,057</u>	<u>226,716,740</u>
Total capital assets	<u>\$ 240,650,069</u>	<u>\$ 3,553,472</u>	<u>\$ (1,206,337)</u>	<u>\$ 270,228</u>	<u>\$ 243,267,432</u>
Accumulated depreciation					
Infrastructure	\$ (124,419,660)	\$ (3,141,923)	\$ 174,388	\$ -	\$ (127,387,195)
Land improvements	(533,026)	(46,834)	-	-	(579,860)
Buildings and improvements	(22,214,234)	(1,003,764)	-	-	(23,217,998)
Machinery, office furniture and equipment	(5,467,688)	(644,766)	589,104	264,794	(5,258,556)
Intangibles	(815,099)	(217,715)	-	(341,974)	(1,374,788)
Vehicles	(8,743,107)	(582,645)	143,860	(151,489)	(9,333,381)
Total accumulated depreciation	<u>(162,192,814)</u>	<u>(5,637,647)</u>	<u>907,352</u>	<u>(228,669)</u>	<u>(167,151,778)</u>
Governmental activities capital assets, net	<u>\$ 78,457,255</u>	<u>\$ (2,084,175)</u>	<u>\$ (298,985)</u>	<u>\$ 41,559</u>	<u>\$ 76,115,654</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CAPITAL ASSETS (Continued)

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

Primary Government (Continued):

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 6,429,160	\$ -	\$ -	\$ 14,936	\$ 6,444,096
Intangibles	27,500	-	-	-	27,500
Construction in progress	7,644,618	5,831,450	-	(2,143,199)	11,332,869
Total capital assets not being depreciated	<u>14,101,278</u>	<u>5,831,450</u>	<u>-</u>	<u>(2,128,263)</u>	<u>17,804,465</u>
Capital assets being depreciated					
Land improvements	3,692,859	80,886	-	-	3,773,745
Land disposal sites - liner costs	18,798,791	-	-	(318,546)	18,480,245
Runways and ramps	45,574,997	-	-	959,935	46,534,932
Buildings and improvements	28,599,654	107,937	-	1,046,534	29,754,125
Machinery, office furniture and equipment	4,602,280	159,273	(495)	321,597	5,082,655
Intangibles	68,344	1,798	-	-	70,142
Vehicles	7,644,016	1,295,189	(1,350,503)	(151,487)	7,437,215
Total capital assets being depreciated	<u>108,980,941</u>	<u>1,645,083</u>	<u>(1,350,998)</u>	<u>1,858,033</u>	<u>111,133,059</u>
Total capital assets	<u>\$ 123,082,219</u>	<u>\$ 7,476,533</u>	<u>\$ (1,350,998)</u>	<u>\$ (270,230)</u>	<u>\$ 128,937,524</u>
Accumulated depreciation					
Land improvements	\$ (1,973,267)	\$ (85,194)	\$ -	\$ 691	\$ (2,057,770)
Land disposal sites - liner costs	(9,703,764)	(764,843)	-	-	(10,468,607)
Runways and ramps	(20,314,730)	(2,604,899)	-	-	(22,919,629)
Buildings and improvements	(16,773,823)	(601,807)	-	(691)	(17,376,321)
Machinery, office furniture and equipment	(3,320,498)	(308,978)	429	77,184	(3,551,863)
Intangibles	(45,482)	(9,000)	-	-	(54,482)
Vehicles	(6,055,600)	(740,043)	1,350,503	151,487	(5,293,653)
Total accumulated depreciation	<u>(58,187,164)</u>	<u>(5,114,764)</u>	<u>1,350,932</u>	<u>228,671</u>	<u>(61,722,325)</u>
Business-type activities capital assets, net	<u>\$ 64,895,055</u>	<u>\$ 2,361,769</u>	<u>\$ (66)</u>	<u>\$ (41,559)</u>	<u>\$ 67,215,199</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 588,355
Public Safety	1,258,741
Public Works	3,431,790
Health & Welfare	32,266
Culture & Recreation	326,495
Total depreciation expense – governmental activities	<u>\$ 5,637,647</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 880,210
Solid Waste – land disposal sites	764,843
Salisbury – Ocean City: Wicomico Regional Airport	2,873,908
Nursing Home	152,819
Urban Services	24,757
Convention & Visitors Bureau	30,584
Civic Center	387,643
Total depreciation expense – business-type activities	<u>\$ 5,114,764</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	69,633,213	10,677,932	-	(75,050,356)	5,260,789
Total capital assets not being depreciated	<u>73,712,953</u>	<u>10,677,932</u>	<u>-</u>	<u>(75,050,356)</u>	<u>9,340,529</u>
Capital assets being depreciated					
Buildings and improvements	181,079,862	355,440	(2,920,479)	75,050,356	253,565,179
Furniture and equipment	25,296,546	2,117,925	(307,921)	-	27,106,550
Vehicles	1,314,756	54,274	(24,605)	-	1,344,425
Total capital assets being depreciated	<u>207,691,164</u>	<u>2,527,639</u>	<u>(3,253,005)</u>	<u>75,050,356</u>	<u>282,016,154</u>
Total capital assets	<u>\$ 281,404,117</u>	<u>\$ 13,205,571</u>	<u>\$ (3,253,005)</u>	<u>\$ -</u>	<u>\$ 291,356,683</u>
Less accumulated depreciation					
Buildings and improvements	(56,722,456)	(4,922,153)	1,969,817	-	(59,674,792)
Furniture and equipment	(15,074,941)	(2,918,668)	284,715	-	(17,708,894)
Vehicles	(913,616)	(106,401)	24,605	-	(995,412)
Total accumulated depreciation	<u>(72,711,013)</u>	<u>(7,947,222)</u>	<u>2,279,137</u>	<u>-</u>	<u>(78,379,098)</u>
Total capital assets, being depreciated, net	<u>134,980,151</u>	<u>(5,419,583)</u>	<u>(973,868)</u>	<u>75,050,356</u>	<u>203,637,056</u>
Governmental activities capital assets, net	<u>\$ 208,693,104</u>	<u>\$ 5,258,349</u>	<u>\$ (973,868)</u>	<u>\$ -</u>	<u>\$ 212,977,585</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 2,107,522	\$ 7,247	\$ (6,056)	\$ -	\$ 2,108,713
Accumulated depreciation	(1,614,397)	(72,756)	5,936	-	(1,681,217)
Business-type activities capital assets, net	<u>\$ 493,125</u>	<u>\$ (65,509)</u>	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ 427,496</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

CAPITAL ASSETS (Continued)

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

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

GOVERNMENTAL ACTIVITIES

Administration	\$ 99,947
Instruction Services	7,102,244
Special Education	30,645
Student Personnel Services	1,225
Health Services	5,821
Student transportation	25,292
Operation of plant and equipment	661,746
Maintenance of plant	19,806
Community Services	496
Depreciation – total	<u>\$ 7,947,222</u>

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets not being depreciated				
Land	\$ 80,820	\$ -	\$ -	\$ 80,820
Capital assets being depreciated				
Buildings and improvements	2,417,401	17,199	-	2,434,600
Machinery, office furniture and equipment	1,387,463	11,842	-	1,399,305
Vehicles – bookmobile	178,634	-	-	178,634
Library collections	1,740,788	199,152	(253,755)	1,686,185
Total capital assets being depreciated	<u>5,724,286</u>	<u>228,193</u>	<u>(253,755)</u>	<u>5,698,724</u>
Total capital assets	5,805,106	228,193	(253,755)	5,779,544
Accumulated depreciation	<u>(3,859,886)</u>	<u>(359,399)</u>	<u>253,755</u>	<u>(3,965,530)</u>
Governmental activities capital assets, net	<u>\$ 1,945,220</u>	<u>\$ (131,206)</u>	<u>\$ -</u>	<u>\$ 1,814,014</u>

Depreciation and amortization expense of \$317,306 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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:

Receivable Fund	Payable Fund	Amount
Primary Government		
General	Civic Center	\$ 431,371
	Nursing Home	120,081
Solid Waste	Roads	250,000
		\$ 801,452

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	\$ 3,572,141

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

INTERFUND TRANSACTIONS

A summary of interfund transfers follows:

	General Fund	Grants	Capital Projects	Roads	Recreation	Solid Waste	Convention & Visitors Bureau	Civic Center	Total
General Fund	\$ -	\$ 55,880	\$ -	\$ 2,476,431	\$ (369,709)	\$ (143,165)	\$ (84,300)	\$ 386,000	\$ 2,321,137
Grants	(55,880)	-	(165,037)	-	-	-	-	1,504,218	1,283,301
Capital Projects	-	165,037	-	-	-	(57,721)	-	1,042,499	1,149,815
Roads	(2,476,431)	-	-	-	-	(41,557)	-	-	(2,517,988)
Recreation	369,709	-	-	-	-	-	(20,615)	30,085	379,179
Solid Waste	143,165	-	57,721	41,557	-	-	-	-	242,443
Convention & Visitors Bureau	84,300	-	-	-	20,615	-	-	-	104,915
Civic Center	(386,000)	(1,504,218)	(1,042,499)	-	(30,085)	-	-	-	(2,962,802)
Total	<u>\$ (2,321,137)</u>	<u>\$ (1,283,301)</u>	<u>\$ (1,149,815)</u>	<u>\$ 2,517,988</u>	<u>\$ (379,179)</u>	<u>\$ (242,443)</u>	<u>\$ (104,915)</u>	<u>\$ 2,962,802</u>	<u>\$ -</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 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 \$129,978,000. During the year, general obligation bonds totaling \$2,895,000 were issued for new projects and general obligation bonds totaling \$3,900,000 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, 2011 amounted to \$160,664,045 after considering various debt obligations of \$102,025,128 as listed in the following schedule.

As shown on the combined statement of net assets, total debt of the primary government including all blended component units is \$104,369,216. 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 \$845,940, is removed from total primary government debt below and is also excluded from the County's limitation on bonded debt.

On November 16, 2010, the County issued \$6.79 million in General Obligation Bonds with an average interest rate of 3.0 percent to advance refund \$3.9 million of outstanding 2002 Series bonds with an average interest rate of 4.5 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 2002 series bonds. As a result, the 2002 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 two payments owed by the County on February 1, 2012 and 2013 totaling \$665,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$293,713. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using the straight-line method. The County completed the advance refunding to reduce its total debt service payments over the next 12 years by \$127,735 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$123,589.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2011:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	1.0-6.12%	\$ 108,134,143	\$ 6,795,000	\$ (13,498,844)	\$ 101,430,299	\$ 9,999,782
Less: deferred amounts - refunding		(650,981)	(293,713)	85,585	(859,109)	-
Add issuance premiums		439,272	34,223	(48,023)	425,472	-
Total bonds payable		<u>107,922,434</u>	<u>6,535,510</u>	<u>(13,461,282)</u>	<u>100,996,662</u>	<u>9,999,782</u>
Other loans payable						
Maryland Water						
Quality loans	4.89%	80,003	-	(39,044)	40,959	40,959
State loans	5.50%	132,470	-	(132,470)	-	-
Other loans	4.89%	7,454	-	(3,638)	3,816	3,816
Other loans payable		<u>219,927</u>	<u>-</u>	<u>(175,152)</u>	<u>44,775</u>	<u>44,775</u>
Total bonds and loans payable		108,142,361	6,535,510	(13,636,434)	101,041,437	10,044,557
Capital lease obligations	*	<u>190,990</u>	<u>-</u>	<u>(94,036)</u>	<u>96,954</u>	<u>96,954</u>
Governmental activity long-term liabilities, primary government		<u>108,333,351</u>	<u>6,535,510</u>	<u>(13,730,470)</u>	<u>101,138,391</u>	<u>10,141,511</u>
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.5-3.9%	1,180,827	-	(216,741)	964,086	236,928
Less: deferred amounts - refunding		(19,997)	-	2,222	(17,775)	-
Add issuance premiums		15,414	-	(1,714)	13,700	-
Total bonds payable		<u>1,176,244</u>	<u>-</u>	<u>(216,233)</u>	<u>960,011</u>	<u>236,928</u>
Other loans payable						
Maryland Water						
Quality loans	4.89%	46,258	-	(22,578)	23,680	23,680
Mortgage payable	3.69%	945,364	-	(99,424)	845,940	100,575
Other loans payable		<u>991,622</u>	<u>-</u>	<u>(122,002)</u>	<u>869,620</u>	<u>124,255</u>
Total bonds and loans payable		2,167,866	-	(338,235)	1,829,631	361,183
Capital lease obligations	*	<u>744,885</u>	<u>1,126,530</u>	<u>(470,221)</u>	<u>1,401,194</u>	<u>393,262</u>
Business-type activity long-term liabilities		2,912,751	1,126,530	(808,456)	3,230,825	754,445
Less: Nursing Home		<u>(945,364)</u>	<u>-</u>	<u>99,424</u>	<u>(845,940)</u>	<u>(100,575)</u>
Business-type activity long-term liabilities, primary government		<u>1,967,387</u>	<u>1,126,530</u>	<u>(709,032)</u>	<u>2,384,885</u>	<u>653,870</u>
Total debt, primary government		110,300,738	7,662,040	(14,439,502)	103,523,276	10,795,381
* Debt not subject to limitation		(935,875)	(1,126,530)	564,257	(1,498,148)	(490,216)
Debt subject to limitation		<u>\$ 109,364,863</u>	<u>\$ 6,535,510</u>	<u>\$ (13,875,245)</u>	<u>\$ 102,025,128</u>	<u>\$ 10,305,165</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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>
2012	\$ 9,999,782	\$ 4,132,372	\$ 236,927	\$ 27,834
2013	10,346,378	3,807,138	240,562	20,960
2014	7,703,336	3,324,834	94,948	15,684
2015	7,804,102	3,077,224	94,647	12,589
2016	7,178,433	2,809,655	57,904	10,039
2017-2021	31,893,268	10,131,423	239,098	19,334
2022-2026	12,465,000	5,231,126	-	-
2027-2031	7,905,000	2,928,936	-	-
2032-2035	6,135,000	664,683	-	-
Total debt service	<u>\$ 101,430,299</u>	<u>\$ 36,107,391</u>	<u>\$ 964,086</u>	<u>\$ 106,440</u>

Summary of remaining debt service requirements for other loans payable for the year 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>
2012	<u>\$ 44,775</u>	<u>\$ 4,369</u>	<u>\$ 23,680</u>	<u>\$ 2,528</u>

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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
2012	\$ 100,170	\$ 429,135
2013	-	414,001
2014	-	315,192
2015	-	239,993
2016	-	79,998
	<u>100,170</u>	<u>1,478,319</u>
Amounts representing interest	(3,216)	(77,125)
Present value of future minimum lease payments	<u>\$ 96,954</u>	<u>\$ 1,401,194</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	\$ 3,367,754	\$ 88,508	\$ 355,194	\$ 3,101,068	\$ 317,542
Capital leases	2,730,633	300,779	1,575,427	1,455,985	887,134
Total	<u>\$ 6,098,387</u>	<u>\$ 389,287</u>	<u>\$ 1,930,621</u>	<u>\$ 4,557,053</u>	<u>\$ 1,204,676</u>

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computers, software and vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Future minimum lease payments under capital leases are as follows:

Year Ending June 30	Board of Education
2012	\$ 928,752
2013	518,380
2014	67,000
	<u>1,514,132</u>
Amounts representing interest	(58,147)
Present value of future minimum lease payments	<u>\$ 1,455,985</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the health care insurance reserve had the following activity:

Balance at July 1, 2010	\$	2,213,440
Interest earned (net of expenditures)		2,348
Health care rebates		700,210
County share of health care premiums 2011		(819,396)
Balance at June 30, 2011	\$	2,096,602

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, 2010, the County's share of the consortium's settlement was a surplus of \$1,321,041. 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 2012 (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 2012 (\$700,210).

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 2002. The purpose of this consortium is to reduce administrative expenses. Each entity has its premium rates adjusted based on its experience and benefits. Beginning in July 2002, each entity agreed to fund a rate stabilization reserve equal to 10% of average annual premiums. The agreement was originally effective through the period ended August 31, 2004 and is currently extended on an annual basis. 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, 2011**

HEALTH INSURANCE RESERVES (Continued)

Board of Education of Wicomico County (Continued)

For the year ended June 30, 2011, the health care insurance reserve had the following activity:

Balance at July 1, 2010	\$	8,072,947
Subsidy for rate increase		(1,402,684)
Positive settlement – 2010		1,917,095
Interest earned (net of expenditures)		11,348
Other – transfer adjustment		<u>(1,330,000)</u>
Balance at June 30, 2011	\$	<u>7,268,706</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, 2010, the Board’s share of the consortium’s settlement was a surplus of \$1,917,095 which was recognized as an other financing source during the year ended June 30, 2011.

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, 2011 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 \$152,554. The balance due as of June 30, 2011 was \$615,407.

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2011, there is a potential liability of \$3,115 that may have to be paid to the federal government 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, 2011

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, 2011 are as follows:

	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>	<u>June 30, 2011</u>
Primary government:			
Governmental activities	\$ 3,140,860	\$ 311,645	\$ 3,452,505
Business-type activities	422,349	34,444	456,793
Total primary government	<u>\$ 3,563,209</u>	<u>\$ 346,089</u>	<u>\$ 3,909,298</u>
	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>	<u>June 30, 2011</u>
Component units:			
Board of Education of Wicomico Co.	\$ 3,367,754	\$ (266,686)	\$ 3,101,068
Wicomico County Free Library, Inc.	172,041	(4,617)	167,424
Total component units	<u>\$ 3,539,795</u>	<u>\$ (271,303)</u>	<u>\$ 3,268,492</u>

PENSION AND RETIREMENT PLANS

Retirement Plan for the Employees of Wicomico County, Maryland

Plan Description

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

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, 2011 were \$177,331.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011.

Active eligible	555
Terminated with vested rights	36
Retired	170
	761
	761

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, 2011 that amount was \$1,424,091.

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	\$ 1,424,091
Interest on net pension obligation (asset)	(155,172)
Adjustment to Required Contribution	128,560
Annual Pension Cost	1,397,479
Contribution made	(197,203)
Increase in net pension obligation	1,200,276
Net pension obligation (asset), beginning	(2,002,223)
Net pension obligation (asset), ending	\$ (801,947)

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2010 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 \$801,947 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 years beginning July 1, 2009, were made based on revised projections made by County management in light of economic conditions and expected County revenues and expenditures over the next five years.

The actuarial value of assets was determined using asset information as of June 30, 2011, 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, 2011 and on the cash basis at market value.

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

Five-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
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)
June 30, 2011	1,397,479	14.1%	(801,947)

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PENSION AND RETIREMENT PLANS (Continued)

Retirement Plan for Certain Employees of Wicomico County, Maryland (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 11.69% of the employee's earnings (subject to certain limitations with respect to overtime) and a contribution to cover the unfunded accrued liability for the plan. In fiscal year 2011, the County's total contribution amounted to \$51,181 which includes a portion sufficient to amortize the unfunded accrued liability by the year 2020, and included for fiscal year beginning July 1, 2010, a required contribution of \$13,388 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, 2011 were \$13,893,333. 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, 2011**

PENSION AND RETIREMENT PLANS (Continued)

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

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

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

Year Ended June 30	Annual Pension Cost	Percentage Contributed
2009	\$ 647,132	100%
2010	\$ 774,377	100%
2011	\$ 841,309	100%

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

Significant Plan Benefits and Policies

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

Teachers' Retirement System

A. Retirement Benefits

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

B. Vested Allowance

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PENSION AND RETIREMENT PLANS (Continued)

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

Significant Plan Benefits and Policies (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 System

A. Retirement Benefits

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service retirement allowance. The annual retirement allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service before June 30, 1998 and 1.8% of average compensation for the three highest consecutive 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 System 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, 2011. 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, 2011

PENSION AND RETIREMENT PLANS (Continued)

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

Teachers' Pension System (Continued)

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2011 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 110,062,991
Payroll covered under the plans	\$ 91,297,463

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

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

General Plan Policies

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

Significant Plan Benefits and Policies

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

- A. Eligibility - Employees are eligible if they are at least 18 years of age.
- B. Contributions - Each year an employee is required to contribute 2% of earnings up to \$4,800, plus 4% of earnings in excess of \$4,800. Interest is credited at 5% per year. The Board contributes the remaining actuarially determined amounts necessary.
- C. Retirement:
 - a. Normal retirement is available for employees who are age 65 and over and have obtained 5 years of service.
 - b. Early retirement is available for employees with five years or more experience and who are age 55 or older and are within 10 years of normal retirement date.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

PENSION AND RETIREMENT PLANS (Continued)

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

Significant Plan Benefits and Policies (Continued)

D. Benefit at Retirement:

- a. For normal retirement, the member will receive a benefit equal to 1 2/3 % of final average earnings times the years and months of service after age 18.
- b. Early retirement benefits are determined in the same manner as the normal retirement benefits but based on service and salary accrued or earned up to date of early retirement and reduced by the appropriate early retirement factors.

E. Vesting - A participant is 100% vested after five years of continuous service with the employer.

Employer's Payroll Covered Under the Plan

The employee's payroll for the year ended June 30, 2011 and payroll covered under the Plan is as follows:

Total payroll	\$ 110,062,991
Payroll covered under the plans	\$ 9,579,850

Plan membership at July 1, 2010, the date of the latest actuarial valuation, consisted of 314 active plan members and 156 retirees and beneficiaries.

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	127%
2010	\$ 591,306	114%
2011	\$ 640,980	81%

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan (Continued)

The schedule of funding progress 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, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open basis
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Inflation rate	2.00%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%
7/1/2010	15,050,395	19,424,052	4,393,657	77.38%	9,242,654	47.54%

Annual Pension Cost and Net Pension Obligation

The Boad's annual pension cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PENSION AND RETIREMENT PLANS (Continued)

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

Annual Pension Cost and Net Pension Obligation (Continued)

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

Annual required contribution	\$ 848,391
Interest on net pension obligation	(61,021)
Annual pension cost	787,370
Contributions made	(640,980)
Net pension obligation (asset)	146,390
Net pension obligation (asset) at beginning of year	(338,002)
Net pension obligation (asset) at end of year	\$ (191,612)

401(a) Matching Plan

Effective July 1, 2001, the Board implemented and began administering the Wicomico County Board of Education defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participants' contributions to the 403(b) plan. The Board has the right to amend the plan at any time according to the Plan document. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2011, there were 1,173 eligible participants for whom the Board contributed a total of \$406,620.

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

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

PENSION AND RETIREMENT PLANS (Continued)

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

Funding Policy

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

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

Fiscal Year Ended	Annual Pension Cost	Percentage Of APC Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$ 123,950	100%	\$ 0
6/30/2010	148,461	100%	0
6/30/2011	198,633	100%	0

DEFERRED COMPENSATION PLAN

The County offers certain employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The County matched 20% for calendar year 2010 contributions, which was \$116,047. This match was expensed during fiscal year ended June 30, 2011, but was not paid until July 2011. 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, 2011

POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described above, the County provides post-retirement health care benefits as approved by the County Council to all retirees (and their dependents) who are eligible to retire under the County Pension System. The post-retirement health care benefit is also offered to certain County employees who retire under the State Retirement System, are at the age to receive Social Security benefits and have a least ten years service with the County (public safety employees are eligible at age 60 with nine years service). The post-retirement health care benefit is also offered to all employees who are eligible for post-retirement benefits, even if they are not in a County or State pension system. The employee may retire and retain their health insurance coverage which includes medical, prescription, dental and vision while paying the same percentage of contract cost as while employed which as of June 30, 2011 was 15% of employee cost and 25% of dependant coverage.

For the year ended June 30, 2011 there were 134 participants receiving post-retirement health care benefits at a direct cost to the County of \$731,303.

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.

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

Plan Description

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Funding Policy

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

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

The County contracted for an actuarial study that determined the ARC for fiscal year 2011 was \$2,056,000. The County contributed \$55,558 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 2010 and 2011, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

	2009	2010	2011
Annual Required Contribution	\$ 1,882,000	\$ 1,935,000	\$ 2,056,000
Interest on Net OPEB Obligation (Asset)	(83,528)	(108,904)	(44,115)
Adjustment to Annual Required Contribution	126,169	164,943	47,400
Annual OPEB Cost	1,924,641	1,991,039	2,059,285
Direct Cost and Contributions (1)	(2,262,986)	(1,127,185)	(1,107,882)
Increase (Decrease) in Net Obligation	(338,345)	863,854	951,403
Net OPEB Obligation (Asset), beginning of year	(1,113,706)	(1,452,051)	(588,197)
Net OPEB Obligation (Asset), end of year	<u>\$ (1,452,051)</u>	<u>\$ (588,197)</u>	<u>\$ 363,206</u>

(1) Includes direct contributions to the trust plus net equivalent retiree claim costs.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Schedule of Funding Progress

In fiscal year 2007 the County prefunded \$1,000,000 although it did not implement GASB 45. In fiscal year 2008 the County fully funded the ARC of \$2,067,000 plus \$1,113,706 in health care rebates. In fiscal year 2009, the County funded \$1,525,130, including a health care rebate of \$296,538. In fiscal year 2010, the County funded \$142,512. In fiscal year 2011, the County funded \$55,558.

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Actuarial Accrued Liabilities	\$ 26,447,400	\$ 27,088,327	\$ 29,012,511
Actuarial Value of plan assets	5,118,475	5,969,103	7,264,824
Unfunded AAL	\$ 21,328,925	\$ 21,119,224	\$ 21,747,687
Funded ratio as of actuarial value dates	19.40%	22.04%	25.04%
Covered payroll	\$ 32,722,462	\$ 29,999,269	\$ 28,707,791
UAAL as a percentage of covered payroll	65.20%	70.40%	75.76%

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Summary of Actuarial Methods and Assumptions (Continued)

In the July 1, 2010 actuarial valuation and the June 30, 2011 preliminary updated AAL, the projected unit credit funding method was used. The actuarial assumptions included an investment return of 7.5%. Mortality calculations were done using the RPA 2000 gender specific method, turnover T5, and a marriage rate of 60% for pre-65 and 40% of post-65. Aging factors were applied to premium equivalencies, and the trend rate was 12% (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%

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 \$1,011,163.

	544 Active Employees	134 Retirees	678 Total
Total age adjusted premiums	\$ 4,724,298	\$ 1,246,543	\$ 5,970,841
Less: member contributions	-	(235,380)	(235,380)
Employer retiree subsidy	<u>\$ 4,724,298</u>	<u>\$ 1,011,163</u>	<u>\$ 5,735,461</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Actuarial Certification

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

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

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

Beginning in 2010, the Board funded 70% of the individual health care insurance costs for retirees who were qualified to retire on or after July 17, 2007 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. The Board previously funded 55% of the individual health care insurance costs for retirees who had accumulated at least 15 years of service with the Board prior to their retirement (before July 17, 2007). Approximately 630 retirees, who have worked for at least five years are eligible to participate in the post-retirement benefit program.

Plan Description

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

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Plan Description (Continued)

The plan 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 \$4.354 million to the plan, including \$2.484 million for current claim costs (approximately 70% of total premiums); an additional \$1.672 million to pre-fund benefits and an estimated retiree subsidy of \$198,000. Plan members receiving benefits contributed approximately 30% of the total claim costs premiums, through their required contributions of \$181 per month for retirees-only coverage (if under 65), \$128 per month for retirees-only coverage (if 65 or older) and \$1,187 for retiree and spouse coverage. These monthly premium costs are for PPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB Cost and Net OPEB Obligation

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.

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	\$ 3,584,337
Interest on net OPEB obligation	(101,763)
Adjustment to annual required contribution	109,500
Annual OPEB cost (expense)	<u>3,592,074</u>
Contributions made	<u>(4,354,000)</u>
Net OPEB obligation (asset)	(761,926)
Net OPEB obligation (asset) at beginning of year	<u>(1,350,100)</u>
Net OPEB obligation (asset) at end of year	<u>\$ (2,112,026)</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 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)
6/30/09	\$ 2,613,450	129.06%	\$ (1,169,550)
6/30/10	3,565,450	105.06%	(1,350,100)
6/30/11	3,592,074	121.21%	(2,112,026)

Funded Status and Funding Progress

As of July 2009, the most recent actuarial valuation date, the plan was 11.6% funded. The actuarial accrued liability for benefits was \$45,458,666 and the actuarial value of assets was \$5,251,300 resulting in an unfunded actuarial accrued liability (UAAL) of \$40,207,366. The covered payroll (annual payroll of active employees covered by the plan) was \$101,419,000 and the ratio of UAAL to the covered payroll was 39.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Actuarial Methods and Assumptions (Continued)

In the July 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2010 was 30 years.

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 \$6,948,735 reported as landfill closure and post closure care cost liability at June 30, 2011, represents the cumulative amount reported to date based upon attaining 75% of the estimated capacity of open cells #1, #2, #3, and #4 and 31.10% 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 \$2,506,484 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 \$6,900,000 of currently available assets which may be used for landfill closure and post closure costs.

SOLID WASTE ENTERPRISE FUND LOSS

In fiscal year 2008, the County suffered a loss from fraud in the Solid Waste enterprise fund. In fiscal year 2009, the County received an insurance settlement of \$250,000 related to the loss. The Court has ordered the adjudicated perpetrators of the fraud to reimburse the County \$168,000; as of June 30, 2010, the County had received \$64,273. The total of the payments received in fiscal year 2011 has been recorded as an extraordinary gain of \$55,700 and the County has booked a receivable in the Solid Waste fund for \$48,027 for the balance of the court ordered restitution.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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:

Year ending June 30

2012	25,000
2013	25,000
2014	<u>25,000</u>
Total	<u>\$ 75,000</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, 2011.

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, 2011 were \$460,218. 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 2011 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 who then bills the Commission on a monthly basis. The Commission then bills the property owners.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico County, Maryland (Continued)

In March 2011, Wicomico County entered into an agreement with Energy Systems Group (ESG) for a multi-phased review of energy efficiency opportunities and equipment installation. The agreement allows for the County to make a final decision on full implementation, but such decision point will not take place until fiscal year 2012. It is reasonably possible that the County could choose not to elect implementation of the full study recommendations. Should that occur, the County will be liable for a payment of \$52,000 for the study plus the net difference between state grant funding and contractor incurred costs for work completed prior to the phase II decision point. The estimated value of this net difference is \$637,000 making the total contingent liability \$689,000. Should the County elect full implementation, ESG guarantees sufficient operating cost savings to fully offset the total program cost.

On August 30, 2000, the County sold an improved property that was owned by the County to The American Legion Sharptown Columbia Post 269. The initial amount of the principal balance was \$70,000 repayable with interest at the rate of 5% per annum in equal monthly installments of \$409.22 commencing September 30, 2000. During fiscal year 201, it became apparent that The American Legion Sharptown Columbia Post 269 could no longer afford the property, so the County accepted the title in settlement of the debt. The outstanding receivable balance at the time was \$50,292. This amount has been written off as uncollectable and the value of the property has been taken up as a fixed asset of the County.

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 require that the Facility 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 is approximately \$221,000 plus the CPI through June 30, 2011. 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, 2011

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 Bennett Middle School in the amount \$2,996,900. At June 30, 2011, \$996,680 had been expended on the renovation of Bennett Middle School. The Board also had signed contracts for HVAC projects at several schools totaling \$3,511,920. At June 30, 2011, \$2,975,172 had been expended on the HVAC projects.

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, 2011 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 and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Library's programs and activities.

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

RISK MANAGEMENT

Wicomico County, Maryland

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

The Wicomico County Free Library, 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, 2011. 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, 2011

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 four 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, 2011

PRIOR PERIOD ADJUSTMENTS

Fund equity at June 30, 2010 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 at June 30, 2010 as previously reported	\$ 26,364,456	\$ 1,162,375	\$ 26,443,629	\$ 3,232,383	\$ 1,117,588	\$ 58,320,431
Adjustment to Roads inventory reserve from Solid Waste for stone				22,501		22,501
Liabilities not reported in the proper period	(65,087)		638,387	(16,146)		557,154
Correction of accrued holiday from prior year	(130,870)			(65)		(130,935)
Correction of furlough in prior year		1,342				1,342
Correct revenues for monies returned to state from grant		(106,697)				(106,697)
Correction of revenues not reported in proper period		37,351				37,351
Correction of expense incorrectly recognized in prior year	25,352					25,352
Correction of old receivable never collected	(3,417)					(3,417)
Other adjustments	<u>7,504</u>	<u>(8)</u>	<u>2</u>	<u>(2)</u>	<u>2</u>	<u>7,498</u>
Fund equity at June 30, 2010 as restated	<u>\$ 26,197,938</u>	<u>\$ 1,094,363</u>	<u>\$ 27,082,018</u>	<u>\$ 3,238,671</u>	<u>\$ 1,117,590</u>	<u>\$ 58,730,580</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2010 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, 2010 as previously reported	\$ 15,716,209	\$ 44,827,204	\$ 3,226,683	\$ 1,309,211	\$ 8,029,829	\$ 1,851,539	\$ 74,960,675
Correction of accrued holiday from prior year	(4,413)				(804)		(5,217)
Construction in progress expenses not capitalized in the prior year					13,192		13,192
Other adjustments	<u>(2)</u>	<u>31</u>			<u>111</u>	<u>(2)</u>	<u>138</u>
Fund equity at June 30, 2010 as restated	<u>\$ 15,711,794</u>	<u>\$ 44,827,235</u>	<u>\$ 3,226,683</u>	<u>\$ 1,309,211</u>	<u>\$ 8,042,328</u>	<u>\$ 1,851,537</u>	<u>\$ 74,968,788</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net assets at June 30, 2010 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets at June 30, 2010 as previously reported	\$ 28,824,648	\$ 74,960,675
Net changes to governmental and enterprise funds (on previous page)	410,149	8,113
Correction to capital assets	475,271	
Correction to accrued compensated absences	(261,779)	
Other	<u>13,767</u>	
Fund equity at June 30, 2010 as restated	<u>\$ 29,462,056</u>	<u>\$ 74,968,788</u>

REQUIRED SUPPLEMENTARY
INFORMATION

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 60,575,912	\$ 60,575,912	\$ 60,530,124	\$ (45,788)
Income taxes	34,500,000	34,500,000	39,186,250	4,686,250
Other taxes	3,855,726	3,855,726	3,275,010	(580,716)
Licenses and permits	1,204,400	1,204,400	1,290,848	86,448
Intergovernmental	3,485,935	3,248,631	3,219,266	(29,365)
Charges for services	3,876,424	3,930,138	3,461,743	(468,395)
Court fines and forfeitures	44,700	44,700	67,414	22,714
Miscellaneous	463,345	465,450	2,302,864	1,837,414
Investment earnings	273,000	273,000	115,177	(157,823)
Total revenues	<u>108,279,442</u>	<u>108,097,957</u>	<u>113,448,696</u>	<u>5,350,739</u>
EXPENDITURES				
General government				
Legislative/council	<u>357,075</u>	<u>357,076</u>	<u>314,637</u>	<u>42,439</u>
Administrative/executive	<u>468,487</u>	<u>468,209</u>	<u>466,408</u>	<u>1,801</u>
Judicial				
Circuit Court	937,344	952,804	816,735	136,069
Orphans' Court	34,768	34,768	26,354	8,414
State's Attorney	1,650,830	1,689,739	1,657,275	32,464
Total judicial	<u>2,622,942</u>	<u>2,677,311</u>	<u>2,500,364</u>	<u>176,947</u>
Elections	<u>1,036,828</u>	<u>1,065,171</u>	<u>849,889</u>	<u>215,282</u>
Management information systems	<u>602,471</u>	<u>633,671</u>	<u>588,454</u>	<u>45,217</u>
Purchasing	<u>128,953</u>	<u>128,953</u>	<u>125,818</u>	<u>3,135</u>
Financial administration				
Finance	896,929	929,244	861,444	67,800
Public accountant	97,175	97,175	76,380	20,795
Total financial administration	<u>994,104</u>	<u>1,026,419</u>	<u>937,824</u>	<u>88,595</u>
Human resources	<u>492,517</u>	<u>492,517</u>	<u>435,322</u>	<u>57,195</u>
Legal	<u>248,596</u>	<u>263,720</u>	<u>263,199</u>	<u>521</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(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	209,373	209,373	200,873	8,500
Planning and zoning	793,833	851,246	779,068	72,178
General services	920,128	945,840	875,692	70,148
Total general government	8,875,307	9,119,506	8,337,548	781,958
Public safety				
Sheriff's Department	7,258,730	7,271,263	7,041,835	229,428
Emergency Services	1,580,629	1,565,513	1,495,638	69,875
Fire Department	4,318,394	4,318,394	4,242,165	76,229
Liquor License Board	162,023	162,024	160,427	1,597
Protection of Animals	247,555	247,555	247,555	-
Total public safety	13,567,331	13,564,749	13,187,620	377,129
Detention Center	10,862,388	10,976,219	10,680,121	296,098
Public works				
Supervision	475,830	475,831	423,467	52,364
Weed control	2,200	2,200	2,199	1
Sanitation, water, and sewer	153,545	153,545	153,544	1
Tri-County Council/Shore Transit	378,000	378,000	378,000	-
Total public works	1,009,575	1,009,576	957,210	52,366

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(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	3,161,140	3,161,139	2,856,283	304,856
Mosquito control	126,321	126,321	91,748	34,573
Gypsy Moth control	1,500	3,945	3,945	-
Total health	3,288,961	3,291,405	2,951,976	339,429
Social services	197,113	197,113	197,113	-
Education				
Board of Education	43,196,892	43,196,892	43,196,892	-
Wicomico County Free Library	1,000,000	1,000,000	1,000,000	-
Community College - grant	3,000,000	3,000,000	3,000,000	-
Extension Service	83,210	83,210	82,302	908
Total education	47,280,102	47,280,102	47,279,194	908
Recreation and culture	1,606,752	1,625,615	1,625,615	-
Miscellaneous				
Social security	1,817,886	1,614,735	1,588,837	25,898
Grants and mandates	40,680	40,680	30,802	9,878
Funded retirement plan	97,482	76,626	74,735	1,891
OPEB	-	55,558	55,558	-
Provision for compensated absences	-	168,449	21,492	146,957
Hospitalization, disability and life	5,062,642	5,111,047	4,855,266	255,781
Unemployment compensation	155,501	197,536	139,245	58,291
Workers' compensation	433,265	433,265	242,220	191,045
Liability and arbitrage insurance	800,000	800,000	569,778	230,222
Total miscellaneous	8,407,456	8,497,896	7,577,933	919,963

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(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	9,634,556	9,646,207	9,454,208	191,999
Interest	4,571,953	4,560,302	4,138,627	421,675
Agent fees	40,000	40,000	39,186	814
	<u>14,246,509</u>	<u>14,246,509</u>	<u>13,632,021</u>	<u>614,488</u>
Total debt service				
	<u>14,246,509</u>	<u>14,246,509</u>	<u>13,632,021</u>	<u>614,488</u>
Total expenditures	<u>109,341,494</u>	<u>109,808,690</u>	<u>106,426,351</u>	<u>3,382,339</u>
Excess (deficiency) of revenues over expenditures	<u>(1,062,052)</u>	<u>(1,710,733)</u>	<u>7,022,345</u>	<u>8,733,078</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	546,358	546,358	683,374	137,016
Transfers out	(2,931,311)	(3,004,511)	(3,004,511)	-
Appropriations of fund equity	4,017,005	4,531,136	-	(4,531,136)
Other uses	(570,000)	(362,250)	-	362,250
	<u>1,062,052</u>	<u>1,710,733</u>	<u>(2,321,137)</u>	<u>(4,031,870)</u>
Total other financing sources (uses)				
	<u>1,062,052</u>	<u>1,710,733</u>	<u>(2,321,137)</u>	<u>(4,031,870)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,701,208</u>	<u>\$ 4,701,208</u>

WICOMICO COUNTY, MARYLAND
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
JUNE 30, 2011

Date of Actuarial Report	Net Assets Available for Benefits	Pension Benefit Obligation	Unfunded Pension Benefit Obligation	Net Assets Expressed as a Percentage of PBO	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
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%
7/1/2011	46,641,169	49,626,248	2,985,079	93.98%	22,711,862	13.14%

SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 55,951,132	\$ 54,374,998	\$ (1,576,134)
Railroads and public utilities	2,516,331	2,489,729	(26,602)
Ordinary business corporations	7,154,264	6,901,491	(252,773)
Subtotal real and personal property taxes	<u>65,621,727</u>	<u>63,766,218</u>	<u>(1,855,509)</u>
Interest and fees on delinquent taxes	403,000	520,325	117,325
Subtotal real and personal property taxes after interest and fees on delinquent taxes	66,024,727	64,286,543	(1,738,184)
Manufacturing exemptions	(1,400,000)	(1,540,398)	(140,398)
Net additions and abatements	(200,000)	179,993	379,993
Tax credits	(3,183,815)	(1,973,985)	1,209,830
Deferred and uncollected taxes	(250,000)	(49,614)	200,386
Discounts allowed	(415,000)	(372,415)	42,585
Total real and personal property taxes	<u>60,575,912</u>	<u>60,530,124</u>	<u>(45,788)</u>
Income taxes	<u>34,500,000</u>	<u>39,186,250</u>	<u>4,686,250</u>
Other taxes			
Admission and amusement	95,500	177,900	82,400
Recordation tax	2,770,000	2,171,210	(598,790)
911 telephone surcharge tax	636,226	567,318	(68,908)
Trailer park	354,000	358,582	4,582
Total other taxes	<u>3,855,726</u>	<u>3,275,010</u>	<u>(580,716)</u>
Total taxes	<u>98,931,638</u>	<u>102,991,384</u>	<u>4,059,746</u>
Licenses and permits			
Alcoholic beverages	164,900	183,038	18,138
Amusement	6,000	6,232	232
Traders	66,000	67,702	1,702
Building, equipment, and electrical	120,000	154,746	34,746
Marriage	20,000	22,070	2,070
Cable TV franchise	820,000	841,618	21,618
Other	7,500	15,442	7,942
Total licenses and permits	<u>1,204,400</u>	<u>1,290,848</u>	<u>86,448</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental			
Operating grants and contributions			
Disparity grant	2,197,041	2,197,041	-
Health	62,055	29,136	(32,919)
Public safety - detention center	91,703	91,703	-
Public safety - police	253,000	259,186	6,186
Charges for services and fees			
Conservation of natural resources - Chesapeake Bay Critical Areas	-	576	576
General government - circuit courts	122,400	144,803	22,403
Health	522,432	482,288	(40,144)
Payments in lieu of taxes	-	8,805	8,805
Miscellaneous	-	5,728	5,728
Total intergovernmental	<u>3,248,631</u>	<u>3,219,266</u>	<u>(29,365)</u>
Service charges and fees			
Bay Restoration - administrative fee	33,000	30,437	(2,563)
City of Salisbury - share of building expenses	150,000	152,178	2,178
City of Salisbury - share of MIS	5,000	29,929	24,929
City of Salisbury - share of planning & zoning	180,046	177,493	(2,553)
Detention Center - local charges	58,700	96,103	37,403
Detention Center - reimbursement for inmates expenses	1,138,230	696,891	(441,339)
Fire safety fees	95,000	111,694	16,694
Forest Conservation service charges	2,740	4,090	1,350
Health - mosquito control fees	82,500	85,812	3,312
Impact fees	405,000	336,267	(68,733)
Miscellaneous fees, rentals, and sales	5,130	32,679	27,549
Public works subdivision review fees	55,000	33,635	(21,365)
Recreation program fees	190,920	49,672	(141,248)
Room tax - administrative fee	15,000	17,190	2,190
Sheriff's fees	450,713	504,295	53,582
Sheriff's services - Board of Education	595,000	562,944	(32,056)
Enterprise funds - administrative fee	62,859	62,859	-
Wicomico County Liquor Control Board fee	400,000	472,000	72,000
Zoning and subdivision fees	5,300	5,575	275
Total service charges and fees	<u>3,930,138</u>	<u>3,461,743</u>	<u>(468,395)</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	44,700	67,414	22,714
Miscellaneous	465,450	2,302,864	1,837,414
Interest	273,000	115,177	(157,823)
Total revenues	<u>\$ 108,097,957</u>	<u>\$ 113,448,696</u>	<u>\$ 5,350,739</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 115,627	\$ 115,627	\$ -
Salaries - general	163,189	145,507	17,682
Operating expenditures	75,380	50,917	24,463
Capital outlay	2,880	2,586	294
Total legislative/council	<u>357,076</u>	<u>314,637</u>	<u>42,439</u>
Administrative/executive			
Salaries - elected office	85,327	85,327	-
Salaries - general	339,721	339,721	-
Operating expenditures	40,161	39,631	530
Capital outlay	3,000	1,729	1,271
Total administrative/executive	<u>468,209</u>	<u>466,408</u>	<u>1,801</u>
Judicial			
Circuit Court			
Salaries - general	552,256	549,958	2,298
Operating expenditures	290,073	229,034	61,039
Capital outlay	110,475	37,743	72,732
Total Circuit Court	<u>952,804</u>	<u>816,735</u>	<u>136,069</u>
Orphans' Court			
Salaries - general	24,477	24,477	-
Operating expenditures	10,291	1,877	8,414
Total Orphans' Court	<u>34,768</u>	<u>26,354</u>	<u>8,414</u>
State's Attorney			
Salaries - elected office	114,527	114,086	441
Salaries - general	1,429,497	1,403,493	26,004
Operating expenditures	130,769	124,856	5,913
Capital outlay	14,946	14,840	106
Total State's Attorney	<u>1,689,739</u>	<u>1,657,275</u>	<u>32,464</u>
Total judicial	<u>2,677,311</u>	<u>2,500,364</u>	<u>176,947</u>
Elections			
Salaries - general	452,082	440,553	11,529
Operating expenditures	369,556	262,800	106,756
Capital outlay	243,533	146,536	96,997
Total elections	<u>1,065,171</u>	<u>849,889</u>	<u>215,282</u>
Management information systems			
Salaries - general	317,762	317,762	-
Operating expenditures	204,709	162,191	42,518
Capital outlay	111,200	108,501	2,699
Total management information systems	<u>633,671</u>	<u>588,454</u>	<u>45,217</u>
Purchasing			
Salaries - general	102,228	102,228	-
Operating expenditures	25,425	23,056	2,369
Capital outlay	1,300	534	766
Total purchasing	<u>128,953</u>	<u>125,818</u>	<u>3,135</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (continued)			
Financial administration			
Finance			
Salaries - general	689,411	678,434	10,977
Operating expenditures	233,650	179,191	54,459
Capital outlay	6,183	3,819	2,364
Total finance	<u>929,244</u>	<u>861,444</u>	<u>67,800</u>
Public accountant			
Auditors' services	97,175	76,380	20,795
Total financial administration	<u>1,026,419</u>	<u>937,824</u>	<u>88,595</u>
Human resources			
Salaries - general	327,702	311,827	15,875
Operating expenditures	157,925	117,341	40,584
Capital outlay	6,890	6,154	736
Total human resources	<u>492,517</u>	<u>435,322</u>	<u>57,195</u>
Legal			
Salaries - general	217,641	217,641	-
Operating expenditures	43,415	42,895	520
Capital outlay	2,664	2,663	1
Total legal	<u>263,720</u>	<u>263,199</u>	<u>521</u>
Community promotion			
Community access channel	73,440	73,440	-
Economic development	105,933	105,933	-
Operating expenditures	30,000	21,500	8,500
Total community promotion	<u>209,373</u>	<u>200,873</u>	<u>8,500</u>
Planning and zoning			
Salaries	640,072	640,072	-
Operating expenditures	186,349	114,243	72,106
Capital outlay	24,825	24,753	72
Total planning and zoning	<u>851,246</u>	<u>779,068</u>	<u>72,178</u>
General services			
Salaries	182,928	182,268	660
Operating expenditures	723,760	654,272	69,488
Capital outlay	39,152	39,152	-
Total general services	<u>945,840</u>	<u>875,692</u>	<u>70,148</u>
Total general government	<u>9,119,506</u>	<u>8,337,548</u>	<u>781,958</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety			
Sheriff's Department			
Salary - Sheriff	85,374	85,374	-
Salaries - general	6,336,502	6,242,874	93,628
Operating expenditures	774,667	678,497	96,170
Capital outlay	74,720	35,090	39,630
Total Sheriff's Department	<u>7,271,263</u>	<u>7,041,835</u>	<u>229,428</u>
Emergency Services			
Salaries - general	989,300	982,011	7,289
Operating expenditures	568,740	507,068	61,672
Capital outlay	7,473	6,559	914
Total Emergency Services	<u>1,565,513</u>	<u>1,495,638</u>	<u>69,875</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	63,999	18,501
Volunteer Fire Companies			
Workers' compensation insurance	151,523	115,336	36,187
LOSAP committee	79,371	76,158	3,213
Grants	1,400,000	1,400,000	-
Sinking fund	350,000	350,000	-
Hepatitis vaccine	44,000	25,672	18,328
Total Fire Department	<u>4,318,394</u>	<u>4,242,165</u>	<u>76,229</u>
Liquor License Board			
Salaries - board members and attorneys	23,985	23,985	-
Salaries - general	103,068	103,068	-
Operating expenditures	32,375	30,778	1,597
Capital outlay	2,596	2,596	-
Total Liquor License Board	<u>162,024</u>	<u>160,427</u>	<u>1,597</u>
Protection of Animals			
Contractual services - Humane Society	247,555	247,555	-
Total public safety	<u>13,564,749</u>	<u>13,187,620</u>	<u>377,129</u>
Detention Center			
Salaries - general	6,578,282	6,547,915	30,367
Medical	2,455,209	2,404,008	51,201
Contracted food services	692,000	665,123	26,877
Operating expenditures	1,120,313	932,996	187,317
Capital outlay	130,415	130,079	336
Total Detention Center	<u>10,976,219</u>	<u>10,680,121</u>	<u>296,098</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Supervision			
Salaries - general	436,975	399,473	37,502
Operating expenditures	34,800	21,352	13,448
Capital outlay	4,056	2,642	1,414
Total supervision	<u>475,831</u>	<u>423,467</u>	<u>52,364</u>
Weed control			
Salaries - general	1,800	1,799	1
Operating expenditures	400	400	-
Total weed control	<u>2,200</u>	<u>2,199</u>	<u>1</u>
Sanitation, water, and sewer			
Fruitland water and sewer	<u>153,545</u>	<u>153,544</u>	<u>1</u>
Tri-County Council/Shore Transit			
Grants - operating	300,000	300,000	-
Grants - capital outlay	68,000	68,000	-
Grants - legislative	10,000	10,000	-
	<u>378,000</u>	<u>378,000</u>	<u>-</u>
Total public works	<u>1,009,576</u>	<u>957,210</u>	<u>52,366</u>
Health			
Public health			
Salaries - general	119,332	119,332	-
Operating expenditures	3,008,209	2,709,031	299,178
Capital outlay	33,598	27,920	5,678
Total public health	<u>3,161,139</u>	<u>2,856,283</u>	<u>304,856</u>
Mosquito control			
Salaries - general	90,462	72,959	17,503
Operating expenditures	35,859	18,789	17,070
Total mosquito control	<u>126,321</u>	<u>91,748</u>	<u>34,573</u>
Gypsy Moth control			
Operating expenditures	<u>3,945</u>	<u>3,945</u>	<u>-</u>
Total health	<u>3,291,405</u>	<u>2,951,976</u>	<u>339,429</u>
Social services			
Teen Adult Center	61,363	61,363	-
Maintenance of Aged in Community	122,000	122,000	-
Commission on Aging	250	250	-
Life Crisis Center - grant	13,500	13,500	-
Total social services	<u>197,113</u>	<u>197,113</u>	<u>-</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	43,196,892	43,196,892	-
Wicomico County Free Library	1,000,000	1,000,000	-
Community College - grant	3,000,000	3,000,000	-
Extension Service	83,210	82,302	908
Total education	<u>47,280,102</u>	<u>47,279,194</u>	<u>908</u>
Recreation and culture			
Salaries - general	1,317,020	1,317,020	-
Operating expenditures	290,266	290,266	-
Capital outlay	18,329	18,329	-
Total recreation and culture	<u>1,625,615</u>	<u>1,625,615</u>	<u>-</u>
Miscellaneous			
Social security	1,614,735	1,588,837	25,898
Grants and mandates	40,680	30,802	9,878
Funded retirement plan	76,626	74,735	1,891
OPEB	55,558	55,558	-
Provision for compensated absences	168,449	21,492	146,957
Hospitalization, disability and life	5,111,047	4,855,266	255,781
Unemployment compensation	197,536	139,245	58,291
Workers' compensation	433,265	242,220	191,045
Liability and arbitrage insurance	800,000	569,778	230,222
Total miscellaneous	<u>8,497,896</u>	<u>7,577,933</u>	<u>919,963</u>
Debt service			
Principal - County	2,054,157	2,054,157	-
Principal - Board of Education	7,592,050	7,400,051	191,999
Interest - County	825,936	605,744	220,192
Interest - Board of Education	3,734,366	3,532,883	201,483
Agent fees	40,000	39,186	814
Total debt service	<u>14,246,509</u>	<u>13,632,021</u>	<u>614,488</u>
Total expenditures	<u>\$ 109,808,690</u>	<u>\$ 106,426,351</u>	<u>\$ 3,382,339</u>

WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Transfers in			
Wicomico County Recreation Fund	329,668	455,909	126,241
Wicomico County Solid Waste	132,390	143,165	10,775
Wicomico County Convention & Visitors Bureau	84,300	84,300	-
Total transfers in	<u>546,358</u>	<u>683,374</u>	<u>137,016</u>
Transfers out			
Wicomico County Grants	(55,880)	(55,880)	-
Wicomico County Roads	(2,476,431)	(2,476,431)	-
Wicomico County Recreation Fund	(13,200)	(13,200)	-
Wicomico County Civic Center	(459,000)	(459,000)	-
Total transfers out	<u>(3,004,511)</u>	<u>(3,004,511)</u>	<u>-</u>
Appropriations of fund equity			
Fund balance reappropriated	4,103,210	-	(4,103,210)
Supplemental fund equity appropriations	427,926	-	(427,926)
Total appropriations of fund equity	<u>4,531,136</u>	<u>-</u>	<u>(4,531,136)</u>
Other uses			
Contingency	<u>(362,250)</u>	<u>-</u>	<u>362,250</u>
 Total other financing sources (uses)	 <u>\$ 1,710,733</u>	 <u>\$ (2,321,137)</u>	 <u>\$ (4,031,870)</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Recreation</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,307,627	\$ 2,180	\$ 1,309,807
Other receivables	2,372	-	2,372
Inventories	3,670	-	3,670
Total assets	<u>1,313,669</u>	<u>2,180</u>	<u>1,315,849</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	75,113	-	75,113
Accrued payroll	22,079	-	22,079
Deferred revenue	-	2,180	2,180
Total liabilities	<u>97,192</u>	<u>2,180</u>	<u>99,372</u>
 Fund balances:			
Nonspendable	3,670	-	3,670
Restricted	86,889	-	86,889
Assigned	1,125,918	-	1,125,918
Total fund balances	<u>1,216,477</u>	<u>-</u>	<u>1,216,477</u>
Total liabilities and fund balances	<u>\$ 1,313,669</u>	<u>\$ 2,180</u>	<u>\$ 1,315,849</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Recreation</u>	<u>Agricultural</u> <u>Tax</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Charges for services	\$ 1,412,432	\$ -	\$ 1,412,432
Miscellaneous	1,068	11,616	12,684
Investment earnings	355	-	355
Total revenues	<u>1,413,855</u>	<u>11,616</u>	<u>1,425,471</u>
EXPENDITURES			
Recreation and culture	935,789	-	935,789
Debt Service			
Principal	-	10,408	10,408
Interest and other charges	-	1,208	1,208
Total expenditures	<u>935,789</u>	<u>11,616</u>	<u>947,405</u>
Excess of revenues over expenditures	<u>478,066</u>	<u>-</u>	<u>478,066</u>
OTHER FINANCING USES			
Transfers in	54,537	-	54,537
Transfers out	(433,716)	-	(433,716)
Total other financing uses	<u>(379,179)</u>	<u>-</u>	<u>(379,179)</u>
Net change in fund balances	98,887	-	98,887
Fund balances - beginning	1,117,590	-	1,117,590
Fund balances - ending	<u>\$ 1,216,477</u>	<u>\$ -</u>	<u>\$ 1,216,477</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2011**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2011	\$ 0.759	\$ 1.898	\$ 0.392	\$ 7,570,127,719	\$ 62,308,718	\$ 61,818,028
2010	0.759	1.898	0.392	7,732,061,329	63,313,645	61,659,738
2009	0.814	2.035	0.392	7,128,269,617	63,510,155	62,915,011
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

Notes:

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

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

³ Collections are net of refunds.

<u>Percent of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections³</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent County Taxes</u>	<u>Outstanding Delinquent County Taxes as a Percent of Current Levy</u>
99.21%	\$ 1,589,755	\$ 63,249,493	101.51%	\$ 1,794,119	2.88%
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%

**WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2011**

	Interest Rate
Governmental activities	
General obligation bonds	
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 "	4.0 - 4.125
Public Improvement Bonds of 2006	4.00
Public Improvement Bonds of 2007	3.5 - 5.0
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Refunding Bonds of 2009, Second Issue	2.5 - 4.0
Public Improvement Bonds of 2009	1.0 - 6.125
Public Improvement and Refunding Bonds of 2010	2.0 - 4.0
Less: deferred amounts, refunding	
Add: issuance premiums	
Total general obligation bonds	
Maryland Water Quality loans	
Water Quality Bond of 1990, Series A	4.894
Other loans	
City of Salisbury Inter-Agency Agreement	4.894
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, 2011 Balance</u>
February 1, 2002	February 1, 2022	\$ 6,970,000	\$ 665,000
November 20, 2002	November 1, 2017	2,000,000	1,060,000
January 7, 2003	January 1, 2018	5,980,000	3,150,000
December 1, 2003	December 1, 2018	3,800,000	2,220,000
February 11, 2004	February 1, 2019	4,450,000	2,634,153
September 1, 2004	September 1, 2016	5,000,000	2,490,000
December 28, 2004	January 1, 2017	500,000	286,232
April 12, 2005	March 1, 2020	3,058,000	2,032,460
November 15, 2005	November 1, 2020	8,525,000	6,175,000
October 1, 2006	October 1, 2021	11,225,000	8,225,000
December 1, 2007	December 1, 2022	16,675,000	14,035,000
December 1, 2008	December 1, 2033	20,170,000	18,550,000
June 15, 2009	December 1, 2019	19,939,068	13,397,454
December 1, 2009	February 1, 2021	3,780,000	3,730,000
December 1, 2009	December 1, 2034	16,465,000	15,995,000
December 1, 2010	February 1, 2026	6,795,000	6,785,000
		(1,056,183)	(859,109)
		553,480	425,472
		<u>134,829,365</u>	<u>100,996,662</u>
March 1, 1990	February 1, 2012	<u>864,569</u>	<u>40,959</u>
March 21, 1990	February 1, 2012	<u>76,146</u>	<u>3,816</u>
March 31, 2008	March 27, 2012	<u>470,548</u>	<u>96,954</u>
		<u>\$ 136,240,628</u>	<u>\$ 101,138,391</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2011
(Continued)

	Interest Rate
Business-type activities	
General obligation bonds	
Public Improvement Bonds of 2005 "1 st "	3.9
Refunding Bonds of 2009	2.5 - 3.5
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 Amphibious Excavator	4.15
*Suntrust Caterpillar 938 Wheel Loader	3.21
*Suntrust Amphibious Excavator and Dump Truck	4.15
*Suntrust Lease	2.53
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, 2011 Balance</u>
April 12, 2005	March 1, 2020	\$ 440,000	\$ 291,540
June 15, 2009	December 1, 2019	1,000,932	672,546
		(24,442)	(17,775)
		18,841	13,700
		<u>1,435,331</u>	<u>960,011</u>
March 21, 1990	February 1, 2012	<u>500,000</u>	<u>23,680</u>
April 1, 1999	October 1, 2015	<u>1,730,000</u>	<u>845,940</u>
September 1, 2006	September 1, 2011	393,000	7,239
March 27, 2008	March 27, 2013	145,237	53,501
December 30, 2008	December 30, 2013	678,043	356,445
October 16, 2010	October 15, 2015	1,126,530	984,009
		<u>2,342,810</u>	<u>1,401,194</u>
		6,008,141	3,230,825
		<u>(1,730,000)</u>	<u>(845,940)</u>
		<u>4,278,141</u>	<u>2,384,885</u>
		140,518,769	103,523,276
		<u>(2,813,358)</u>	<u>(1,498,148)</u>
		<u>\$ 137,705,411</u>	<u>\$ 102,025,128</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2011
(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
2012	\$ 14,434,996	\$ 71,534	\$ 4,224	\$ 14,510,754
2013	14,453,119	-	-	14,453,119
2014	11,176,883	-	-	11,176,883
2015	11,026,643	-	-	11,026,643
2016	10,094,112	-	-	10,094,112
2017	9,979,172	-	-	9,979,172
2018	9,384,705	-	-	9,384,705
2019	8,549,264	-	-	8,549,264
2020	7,730,268	-	-	7,730,268
2021	6,808,818	-	-	6,808,818
2022	5,597,514	-	-	5,597,514
2023	4,237,394	-	-	4,237,394
2024	2,703,573	-	-	2,703,573
2025	2,646,851	-	-	2,646,851
2026	2,590,774	-	-	2,590,774
2027	2,279,828	-	-	2,279,828
2028	2,225,836	-	-	2,225,836
2029	2,168,584	-	-	2,168,584
2030	2,108,199	-	-	2,108,199
2031	2,050,379	-	-	2,050,379
2032	1,990,057	-	-	1,990,057
2033	1,927,231	-	-	1,927,231
2034	1,866,562	-	-	1,866,562
2035	1,015,166	-	-	1,015,166
Total	139,045,928	71,534	4,224	139,121,686
Less interest	36,651,543	6,895	408	36,658,846
Outstanding principal	<u>\$ 102,394,385</u>	<u>\$ 64,639</u>	<u>\$ 3,816</u>	<u>\$ 102,462,840</u>

WICOMICO COUNTY, MARYLAND

BALANCE SHEET
LOCAL MANAGEMENT BOARD

JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash allocation from general fund	\$ 613,199	\$ 749,973
Grants receivable	<u>53,201</u>	<u>290,393</u>
Total assets	<u>\$ 666,400</u>	<u>\$ 1,040,366</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 170,995	\$ 154,986
Deferred revenue	480,117	726,871
Accrued payroll and taxes	13,851	14,484
Accrued compensated absences	<u>20,086</u>	<u>34,060</u>
Total liabilities	<u>685,049</u>	<u>930,401</u>
Fund balances		
Unassigned	<u>(18,649)</u>	<u>109,965</u>
Total fund balances, as restated	<u>(18,649)</u>	<u>109,965</u>
Total liabilities and fund balance	<u>\$ 666,400</u>	<u>\$ 1,040,366</u>

WICOMICO COUNTY, MARYLAND

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

**YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

	<u>2011</u>	<u>2010</u>
Revenues		
Subcabinet fund	\$ 764,487	\$ 1,150,742
Federal grants	61,574	90,688
Other state grants	324,205	404,440
Total revenues	<u>1,150,266</u>	<u>1,645,870</u>
Expenditures		
Subcabinet Fund		
Administrative expenditures	66,598	234,795
Administrative expenditures- County portion	55,932	28,672
Community Service Initiative-Local Coordinating Council	-	32,929
Family Empowerment Initiative- Parenting	111,693	69,718
Local Access Training	115,000	109,198
Wraparound Funds	-	87,191
After School	263,896	65,890
Rehab Option	59,793	-
Juvenile Alternatives	-	85,200
Family Partnership Coalition	-	-
Earned reinvestment programs	5,995	92,619
Community Care Intensive	-	234,167
Other	-	40,954
Truancy Prevention Elementary Pilot	192,000	165,702
RDEF - Eastern Shore Training	-	24,881
Total subcabinet fund	<u>870,907</u>	<u>1,271,916</u>
Federal grants	59,892	421,241
Other state grant	296,610	95,188
Other grants	11,797	-
Salaries - general	(9,142)	-
Total expenditures	<u>1,230,064</u>	<u>1,788,345</u>
Deficiency of revenues over expenditures	<u>(79,798)</u>	<u>(142,475)</u>
Other financing sources		
Interest income	1,741	1,062
Interfund transfer	55,880	28,672
Miscellaneous income	260	-
Total other financing sources	<u>57,881</u>	<u>29,734</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (21,917)</u>	<u>\$ (112,741)</u>