

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2015

WICOMICO COUNTY, MARYLAND

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Wicomico Nursing Home, which is both a major fund and 5.1%, 4.5%, and 35.3%, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Board of Education of Wicomico County, which is both a component unit and 99.3%, 99.3%, and 98.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represent 5.1%, 4.5%, and 35.3%, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the Board of Education of Wicomico County, which represent 99.3%, 99.3%, and 98.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units for the year then ended. Those statements were audited by other auditors whose reports 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.

Auditor's Responsibility (Continued)

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2015 the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for the primary government, schedule of changes in the County's net pension liability and related ratios, schedule of County contributions, schedule of investment returns, and schedule of funding progress for the Board of Education of Wicomico County on pages 6 through 16 and 106 through 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

Other Matters (Continued)

Required Supplementary Information (Continued)

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wicomico County, Maryland's basic financial statements. The information on pages 119 through 133 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information in the schedules on pages 119 through 133 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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* in considering Wicomico County, Maryland's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 15, 2015



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

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wicomico County, Maryland's basic financial statements, and have issued our report thereon dated December 15, 2015. Our report includes a reference to other auditors who 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 includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

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Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wicomico County, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wicomico County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of Wicomico County, Maryland's internal control.

Internal Control over Financial Reporting (Continued)

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wicomico County, Maryland's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the note COMMITMENTS AND CONTINGENCIES on page 98.

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 15, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Wicomico County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2015. Please read it in conjunction with the County's financial statements, which begins on page 17.

FINANCIAL HIGHLIGHTS

- The County's government-wide results showed a decrease in net assets from last year of approximately \$9.2 million. This was mainly due to new changes in the Pension and Other Post-Employment Benefit (OPEB) reporting requirements.
- The County's total general fund balance grew by \$3.6 million. This is the fifth consecutive year of fund balance growth. One reason for the increase was Income Tax revenue exceeded the budget by \$6 million. The favorable variance in Income Tax revenue was able to absorb the \$1.58 million unbudgeted state reduction in the State Disparity Grant.
- General fund fiscal year 2015 actual expenses were \$2.1 million or 2% less than originally budgeted. A detail view of budget to actual variance can be found beginning at page 106. The magnitude of the expense reductions can be attributed primarily to sound financial management displayed in the noted departments.
- General fund new revenues for fiscal year 2015 increased by nearly \$6 million over fiscal year 2014. The primary source of increase was a \$1.7 million increase in property tax revenue and \$2.5 increase in Income Tax Revenue. The two just noted and other changes in revenue are shown in the three revenue summary tables below.

NEW REVENUES (including transfers in)	FY2015	FY2014	FY2013	FY2012	FY2011
REAL PROPERTY TAX	\$ 54,236,290	\$ 52,546,925	\$ 51,926,918	\$ 50,460,900	\$ 52,679,302
PERSONAL PROPERTY TAX	8,483,397	8,411,592	9,042,857	8,007,372	7,850,822
LOCAL INCOME TAX	46,070,753	43,553,322	41,027,904	41,845,360	39,186,250
RECORDATION TAX	2,860,521	2,634,927	2,502,251	2,230,158	2,171,210
OTHER LOCAL TAXES	1,043,072	1,015,699	1,058,050	997,206	1,103,800
LICENSES AND PERMITS	1,332,569	1,222,894	1,242,057	1,223,723	1,290,848
STATE AND FEDERAL GOVERNMENTAL GRANTS	9,490,507	9,650,120	4,866,193	3,268,830	3,219,266
SERVICE CHARGE REVENUE	4,713,961	2,907,658	2,978,074	2,581,989	3,125,476
IMPACT FEES	515,151	557,396	1,267,124	394,014	336,267
FINES AND FORFEITURES	73,092	92,794	138,681	73,686	67,414
MISCELLANEOUS REVENUE	890,870	982,268	1,175,008	2,185,084	2,302,864
INVESTMENT EARNINGS	47,924	59,885	102,196	76,465	115,177
NEW REVENUE (excluding transfers)	129,758,107	123,635,480	117,327,313	113,344,787	113,448,696
TRANSFERS IN		484,328	500,504	512,511	683,374
Total Revenue (excluding use of prior year funds)	\$ 129,758,107	\$ 124,119,808	\$ 117,827,817	\$ 113,857,298	\$ 114,132,070

Dollar Change Year-Over-Year

NEW REVENUES (including transfers in)	FY15 to FY14	FY14 to FY13	FY13 to FY12	FY12 to FY11
REAL PROPERTY TAX	\$ 1,689,365	\$ 620,007	\$ 1,466,018	\$ (2,218,402)
PERSONAL PROPERTY TAX	71,805	(631,265)	1,035,485	156,550
LOCAL INCOME TAX	2,517,431	2,525,419	(817,456)	2,659,110
RECORDATION TAX	225,594	132,676	272,093	58,948
OTHER LOCAL TAXES	27,373	(42,351)	60,844	(106,594)
LICENSES AND PERMITS	109,675	(19,163)	18,334	(67,125)
STATE AND FEDERAL GOVERNMENTAL GRANTS	(159,613)	4,783,927	1,597,363	49,564
SERVICE CHARGE REVENUE	1,806,303	(70,416)	396,085	(543,487)
IMPACT FEES	(42,245)	(709,728)	873,110	57,747
FINES AND FORFEITURES	(19,702)	(45,887)	64,995	6,272
MISCELLANEOUS REVENUE	(91,398)	(192,740)	(1,010,076)	(117,780)
INVESTMENT EARNINGS	(11,961)	(42,312)	25,732	(38,712)
NEW REVENUE (excluding transfers)	6,122,627	6,308,167	3,982,527	(103,909)
TRANSFERS IN	(484,328)	(16,176)	(12,007)	(170,863)
Total Revenue (excluding use of prior year funds)	\$ 5,638,299	\$ 6,291,991	\$ 3,970,520	\$ (274,772)

Percent Change Year-Over-Year

NEW REVENUES (including transfers in)	FY15 to FY14	FY14 to FY13	FY13 to FY12	FY12 to FY11
REAL PROPERTY TAX	3.2%	1.2%	2.9%	-4.2%
PERSONAL PROPERTY TAX	0.9%	-7.0%	12.9%	2.0%
LOCAL INCOME TAX	5.8%	6.2%	-2.0%	6.8%
RECORDATION TAX	8.6%	5.3%	12.2%	2.7%
OTHER LOCAL TAXES	2.7%	-4.0%	6.1%	-9.7%
LICENSES AND PERMITS	9.0%	-1.5%	1.5%	-5.2%
STATE AND FEDERAL GOVERNMENTAL GRANTS	-1.7%	98.3%	48.9%	1.5%
SERVICE CHARGE REVENUE	62.1%	-2.4%	15.3%	-17.4%
IMPACT FEES	-7.6%	-56.0%	221.6%	17.2%
FINES AND FORFEITURES	-21.2%	-33.1%	88.2%	9.3%
MISCELLANEOUS REVENUE	-9.3%	-16.4%	-46.2%	-5.1%
INVESTMENT EARNINGS	-20.0%	-41.4%	33.7%	-33.6%
NEW REVENUE (excluding transfers)	5.0%	5.4%	3.5%	-0.1%
TRANSFERS IN	-100.0%	-3.2%	-2.3%	-25.0%
Total Revenue (excluding use of prior year funds)	4.5%	5.3%	3.5%	-0.2%

There are several notable changes in revenue from FY14 to FY15.

- ✓ The state unexpectedly decreased the disparity grant by \$1,587,157 compared to the FY14 disparity grant revenue.
- ✓ Income tax revenues increased by \$2.5 million. Forecasting income tax revenue has been challenging since the beginning of the great recession in December of 2007 for many reasons some of which are; the local changes in employment and jobs data has been volatile, the State of Maryland implemented changes to the tax laws, the Federal Government engaged in fiscal activities such as a government shut-down, and sequestration and the County raised its tax rate from 3.1% to 3.2%. Each of these factors has had effects on the taxable base and tax behavior of wealthy citizens that cannot be quantified.

- ✓ The real property tax rate was increased to the Charter Revenue Cap limit in FY15. The increase in the real estate tax rate along with the increase in revenue from new construction resulted in an additional \$1.7 million of real property revenue when compared to FY14.
- ✓ Personal Property revenues increased by \$71,805 from fiscal year 2014 levels. While the tax rate for personal property was set to increase revenue over fiscal year 2013, the actual reported tax base was less than the estimate available at the time of budget preparation. The budget base is provided from the State Department of Assessment and Taxation well in advance of the budget adoption, however actual tax billing is computed based on returns submitted by business. A review of data from large companies suggests that there have been some reductions in business taxable assets including inventory as the companies adjusted to post recession business levels. This was also the first year of the county's five year phase-out of the business inventory tax. These two factors are the likely cause of the revenue reduction.
- General fund actual expenses increased by \$4.4 million compared to fiscal year 2014. This is significantly smaller than the \$8.2 increase in expenses between FY14 and FY13. A summary of department changes are shown below. These numbers are the net difference of changes in actual expenses across all individual expense accounts. Thus the explanations below are meant to explain the most significant factors that caused the net change. The Board of Education number includes principal and interest payments related to school projects, payments for the Maintenance of Effort as well as the state mandated teacher pension contribution. There was no cost-of-living pay raise granted for FY15.

Department	% Change FY14 to FY15	Change Over Prior Year	FY 2015	FY 2014
PENSIONS & RETIREMENT	-15.6%	\$ (1,000,160)	5,397,375	\$ 6,397,535
CONTINGENCY & CAPITAL	-65.8%	(5,250,819)	2,723,562	7,974,381
RECREATION	-100.0%	(2,761,666)		2,761,666
ROADS	100.0%	9,035,293	9,035,293	
BOARD OF EDUCATION	1.8%	922,651	51,117,253	50,194,602
STATES ATTORNEY	1.4%	35,402	2,524,296	2,488,894
COMMUNITY COLLEGE	7.3%	277,000	4,063,970	3,786,970
CORRECTIONS	-0.3%	(36,994)	11,189,442	11,226,436
GENERAL SERVICES	-9.9%	(119,469)	1,084,786	1,204,255
SHERIFF'S DEPARTMENT	-3.4%	(268,450)	7,697,002	7,965,452
EMERGENCY SERVICES	-2.3%	(39,404)	1,704,483	1,743,887
TRI COUNTY COUNCIL/SHORE TRANSIT	7.6%	38,536	545,945	507,409
HOSPITALIZATION & DISABILITY	21.5%	1,058,668	5,983,514	4,924,846
ALL OTHER DEPARTMENTS	12.6%	1,947,589	17,393,261	15,445,672
PUBLIC HEALTH	12.2%	353,081	3,249,482	2,896,401
COMMUNITY GRANTS	-1.2%	(5,378)	455,843	461,221
DEBT RETIREMENT	14.3%	249,853	2,000,686	1,750,833
Total Change	3.6%	\$ 4,435,733	\$ 126,166,193	\$ 121,730,460

- ✓ Pension & Retirement contributions based on the original actuarial projections were decreased in FY15.
- ✓ In FY14, there was an increase in Contingency; Roads & Capital which enabled the County to commit \$2.8 million to the Board of Education (BOE) for special one-time reimbursable capital expenditures to support school building security improvements and outfit classrooms for computer based academic assessment testing. In FY15, there was no one-time special allocation to the BOE and therefore this category shows a decrease.
- ✓ The Recreation decrease of \$2.7 million is a result of the Recreation department moving out of the general fund in FY15.
- ✓ The Roads increase of \$9 million is a result of the Roads department moving to the general fund in FY15.

- ✓ The Board of Education's increase of \$922,650 is primarily due to the additional \$910,527 for state mandated increases in the Maintenance of Effort and Teacher Pension contributions.
- ✓ The Wor-Wic Community College received an increase of \$277,000 to its recurring operating grant. From this increase, \$75,000 restored proportionate funding levels with Worcester County; \$100,000 to support the adult education program and \$102,000 for campus safety and security infrastructure.
- ✓ Hospitalization and Disability costs increased by \$1 million primarily due to changes driven by implementation of the 2014 Health Care Reform law and the funding of the new FOP Disability - Accidental Death Trust.
- ✓ The All Other Department line sums the changes for 53 budgetary departments whose individual net changes are not shown separately above.
- ✓ The Health Department increase of \$353,000 is the result of many fiscal year 2015 costs being more than 2014.
- ✓ The \$249,000 increase in debt payments is a function of the debt amortization schedules established at the time of sale of the county's general obligation bonds.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements, notes, and supplementary information. The Statement of Net Position and the Statement of Activities (on pages 17 and 18) 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 19 and report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds, detailing how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. Footnotes accompany the financial statements and should be read in conjunction with them. The series of supplemental schedules located at the end of the report provide more detailed information about activities that roll up into the government-wide or fund statements that may be of interest to selected segments of County citizens.

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

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most frequent questions asked about the County's finances is, "Is the County as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities beginning on page 17 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 position and changes in them. You can think of the County's net position - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Of course, many other factors impact the overall health of the County, including changes in the County's property tax base, the condition of the County's roads, and the impact of the revenue cap. In addition, it should be noted that when the County borrows money to build or improve school buildings, the buildings and improvements themselves appear on the Board of Education's financial statements as an asset while the debt appears on the County's financial statements without the accompanying asset. As of June 30, 2015, the County carried about \$87 million in debt on its portion of the financial statement under primary government related to school assets that appear in the component units section under Board of Education.

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

- 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 Position as of June 30, 2015 and 2014:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	100.36	103.24	27.80	25.12	128.16	128.36
Capital assets	86.12	78.29	60.80	62.61	146.92	140.90
Total Assets	186.48	181.53	88.60	87.73	275.08	269.26
Deferred Inflows of Resources	4.16	4.39	0.02	0.02	4.18	4.41
Current and other liabilities	21.77	16.87	3.14	2.89	24.91	19.76
Long-term liabilities	109.23	101.11	11.90	9.91	121.13	111.02
Total Liabilities	131.00	117.98	15.04	12.80	146.04	130.78
Deferred Outflows of Resources	0.05	0.35	0.19	0.19	0.24	0.54
Invested in capital assets, net of related debt	8.09	17.69	58.31	60.64	66.40	78.33
Restricted	18.84	21.83	0.13	0.17	18.97	22.00
Unrestricted	32.68	28.07	14.93	13.95	47.61	42.02
Total Net Position	59.61	67.59	73.37	74.76	132.98	142.35

The Statement of Net Position for governmental activities for the fiscal year ending June 30, 2015 shows total net assets of \$59.59 million, with an unrestricted net position amount of -\$1.75 million. The County's business-type activities show \$14.94 million in unrestricted net position, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

The net 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 position to finance the continuing operations of the business-type activities they support.

Table 2

Selected highlights from the Statement of Activities as of June 30, 2015 and 2014:

	(In millions of dollars)						
	Governmental Activities		Business-Type Activities		Component Units		
	2015	2014	2015	2014	2015	2014	
Program Revenues							
Charges for Services	8.51	8.36	21.23	21.65	1.71	1.88	
Operating & Capital Grants	14.64	12.60	3.23	2.49	64.31	79.15	
General Revenues							
Property Taxes	62.59	60.96	-	-	-	-	
Local Taxes	49.97	47.93	1.23	1.19	-	-	
Other	0.89	0.96	(0.10)	0.17	157.84	158.71	
Total Revenues	136.60	130.81	25.59	25.50	223.86	239.74	
Program Expenses							
Governmental Activities							
General Government	33.73	21.69	-	-	-	-	
Public Safety	26.77	26.40	-	-	-	-	
Public Works	10.17	8.69	-	-	-	-	
Health & Welfare	4.85	4.57	-	-	-	-	
Education	62.55	58.37	-	-	-	-	
Culture and Recreation	3.84	3.72	-	-	-	-	
Interest on Long-term debt	3.94	4.03	-	-	-	-	
Business-Type Activities							
Solid Waste	-	-	5.69	6.32	-	-	
Airport	-	-	4.68	4.75	-	-	
Nursing Home	-	-	8.95	8.76	-	-	
Youth & Civic Center	-	-	4.33	5.21	-	-	
Other	-	-	2.49	2.44	-	-	
Component Units							
Board of Education	-	-	-	-	209.40	200.79	
Library	-	-	-	-	2.74	2.56	
Total Expenses	145.85	127.47	26.14	27.48	212.14	203.35	
Excess (Deficiency) Before Special Items and Transfers	(9.25)	3.34	(0.55)	(1.98)	11.72	36.39	
Special Items	0.61	0.85		(0.02)	-	-	
Transfers	0.84	(0.89)	(0.84)	0.89	-	-	
Change in Net Position	(7.80)	3.30	(1.39)	(1.11)	11.72	36.39	
Net Position - Beginning of year ¹	67.43	64.29	74.76	75.87	266.54	232.51	
Net Position - End of year	59.63	67.59	73.37	74.76	278.26	268.90	

¹ Numbers may not add due to rounding² Net Position - Beginning of year are restated as explained in the notes to the financial statements on page 105.

Table 2 above shows that the County's total net position (Governmental + Business-type) decreased by \$11.39 million from fiscal year 2014. This decrease was the result of the new reporting requirements (GASB 68) for pension funding.

Table 3

Net Cost of Governmental and Business - Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2015	2014	2015	2014	2015	2014
Governmental						
General government	13.14	12.14	33.73	21.69	20.59	9.55
Public safety	3.78	3.13	26.77	26.40	22.99	23.27
Public works	3.04	1.75	10.17	8.69	7.13	6.94
Education	-	-	62.55	58.37	62.55	58.37
Others	3.19	3.95	8.69	8.29	5.50	4.34
Business-Type	24.46	24.15	26.13	27.48	1.67	3.33

Table 3 presents the net cost of the County's governmental and business-type activities. The net cost shows the financial burden that was placed on the County's taxpayers. All business-type activities, except Solid Waste, Nursing Home, Urban Services, and the Convention & Visitors Bureau experienced a net loss before contributions and transfers during fiscal year 2015; see page 24 for details by activity.

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

The County's fund financial statements begin on page 19 and provide detailed information about the most significant funds, as opposed to the government-wide financial statements that provide information about the government as a whole. Some funds are required to be established by legislation or other restrictions, but the County Council can also establish other funds to help it manage money for particular purposes, such as grants. Under accounting standards, the County's two types of funds – governmental and proprietary (enterprise) – use different accounting approaches.

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

The County's governmental funds (as presented on page 19) report a combined fund balance of \$86.2 million, a decrease from fiscal year 2014 balance of \$5.6 million. (\$91.8 in FY140)

The General Fund

For fiscal year 2015, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$128.7 million. The final budgetary appropriation, after adjusting for purchase order carry-forward was about \$130.7 million. The County actually spent about \$126.1 million, that is \$4.6 million less than appropriated and \$4.4 million more than actually spent in fiscal year 2014.

New revenues for fiscal year 2015 were estimated to be about \$129 million, an increase over last year of about \$6 million. Actual revenue, including transfers-in, totaled \$129.7 million. Actual expenditures were less than actual revenues, resulting in an increase in fund balance of \$3.6 million. This is the fifth year in a row where there was a net improvement in fund balance.

Roads Special Revenue Fund

The State began withholding Highway User Revenue (HUR) payments from counties in fiscal year 2010: a reduction of \$7M in the first year. Due to the continued reduction HUR and the uncertainty of the funding being restored, the Roads Special Revenue Fund operating budget was transferred to the general fund beginning with fiscal year 2015.

Enterprise Funds

The County has a number of enterprise funds listed on page 24 of the financial statement. Solid Waste, Urban Services, and Civic Center showed an increase in net position. Convention & Visitors Bureau, Airport, Nursing Home and Other (Electrical Board) each showed a decrease in net position. See notes to the financial statements on pages 33-34.

Capital Asset and Debt Administration

At the end of fiscal year 2015, the County’s primary government had about \$146.92 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, 2015 and 2014

	(In millions of dollars)					
	Governmental Activities		Business-Type Activies		Total	
	2015	2014	2015	2014	2015	2014
Land, Buildings & Infrastructure	268.91	255.48	142.31	138.86	411.22	394.34
Accumulated Depreciation	(182.79)	(177.19)	(81.51)	(76.25)	(264.30)	(253.44)
Total Capital Assets, Net of Depreciation	86.12	78.29	60.8	62.61	146.92	140.90

As a result of increased capital spending, total FY15 Governmental Activities Capital Assets, net of depreciation, increased \$7.8 million from FY14. Business-type activities experienced a \$1.8 million decline in total capital assets after depreciation, with a \$3.45 million increase in new capital assets. More details about the County’s capital assets are presented in the Capital Assets footnote to the financial statements beginning on pages 53 and 54.

Debt

At year-end, the County had about \$107.4 million in general obligation bonds and notes outstanding subject to the County’s debt limitation vs \$105.2 million last year – an increase of about 3% percent – as shown in table 5. This reflects the net change from scheduled debt retirement, the issuance of \$10.95 million in new debt for continue funding of Board of Education, The Bennett Middle School Project, to purchase the States Attorney Building, A.W. Perdue Stadium Modernization and Solid Waste Capital Projects. Project, see page 61.

Table 5 - Outstanding Debt at Year-End

	(In millions of dollars)							
	Governmental Activities		Business-Type Activities		Total			
	2015	2014	2015	2014	2015	2014		
General obligation bonds*	105.780	104.440	1.294	0.402	107.074	104.842		
Loans	-	-	0.306	0.394	0.306	0.394		
Leases and notes payable	2.745	2.972	0.898	1.201	3.643	4.173		
Debt not subject to limitation	(2.745)	(2.972)	(0.898)	(1.201)	(3.643)	(4.173)		
Totals	105.780	104.440	1.600	0.796	107.380	105.236		

The County's general obligation bond rating in fiscal year 2015 was AA from Fitch, AA+ from Standard and Poor's, and Aa2 from Moody's. The County's credit rating was upgraded over fiscal year 2014 by Fitch from AA- to AA.

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 \$107.4 million is significantly below the \$213.3 million limit.

The County issued \$10,930,000 of General Obligation Consolidated Public Improvement Bonds in December of 2014. \$4.2 million of this was applied to the continued construction of Bennett Middle School, \$3.9 million was used to purchase the States Attorney's Building, and the balance was used for A.W. Perdue Modernization, Solid Waste Capital Projects and the balance assigned to contingency and bond issuance costs.

THE COUNTY AS TRUSTEE **REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES**

The County is the trustee, or fiduciary, for its employees' pension and other-post employment benefits (OPEB) plans. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. Besides the pension and OPEB trusts, the County has eight fiduciary funds which are reported under "Agency Funds" in the separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. We exclude fiduciary activities from the County's other financial statements because the County cannot use these assets to finance its operation. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

ECONOMIC FACTORS

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that were charged for the business-type activities, including:

- The Economy

Stabilized, but not fully recovered is the best description of the overall health of Wicomico County's economy. Wicomico County still remains a competitive regional center for economic activity. Of the three lower shore of Maryland counties, Wicomico has 57% of the population. Wicomico boast a strong distribution sector due to its location at the intersection of two major highways, the county's commercial airport, Maryland's second largest port and rail service via Norfolk-Southern. Wicomico County's retail sales are \$1,681,358,403 annually. The county represents approximately 10.4% of Maryland's total agricultural sales of approximately \$236 million. Agricultural sales are up nearly 20% from previous census. Wicomico's July 2015 employment is the highest since July of 2006.

The State General Assembly session of 2010 placed a cap on the income tax based disparity grant for all counties. This had the effect of limiting the grant to Wicomico County for FY11, FY12 and FY13 to \$2.2 million. Over those years the relative decline in Wicomico County's income tax wealth would have yielded an un-capped distribution in FY14 of \$11.1 million. The 2013 General Assembly had partially lifted the cap by linking income tax effort to distribution of the disparity grant. Because Wicomico County had set its income tax rate to the maximum allowed by state law, 3.2%, we are entitled to receive the maximum distribution which is now 60% of the formula allowance. For FY15 the budgeted revenue was the scheduled distribution of \$8,241,000 or roughly \$1,587,157 million more than FY14 budget. The disparity grant originally was to be based on a formula that compares a county's per capital income tax yield to the average for the entire State. If the county's per capita yield is less than 75% of the State average, then the county should receive up to 60% of the difference to help close the comparative gap in income. For FY15, this was not true. Due to state budget cost, the formula was not fully funded and the county received only \$6,653,843 instead of the budgeted amount of \$8,241,000.

- **State Funding**

While the economy of the State of Maryland as a whole improved, the State continued to transfer costs to the counties and limit revenue redistribution. For example, the counties were still required to pay 50% of the operating costs for the State Department of Assessment and Taxation (SDAT), and almost all Highway User Revenue (HUR) collected by the state is being retained for state projects. In fact, the State has made it clear that it regards funding of local transportation infrastructure to be a local government responsibility. Fiscal Year 2015 was the third year of a four year phase-in whereby counties must now pay to their local board of education the normal-cost portion of teacher pension costs: the fiscal year 2015 payment was \$2,719,329 which was \$35,762 less than fiscal year 2014.

The State's fiscal year 2015 budget was based on estimates for continued economic growth. Unfortunately, the Federal Government created a substantial drag on the Maryland economy through the effects of sequestration, government shut-down, debt ceiling debate and other legislative/political uncertainties. The net result was a write-down of the State's revenue estimates and the re-opening structural budget deficits.

Next Year's Budget - fiscal year 2016

Below is a summary of the FY16 Budget Narrative.

- Fiscal year 2016 revenue is estimated to be \$129,000,243; this is 0.2% or \$266,436 over the fiscal year 2015 budget. A brief summary of key economic indicators and revenues as they stood in the winter of 2014 follows.
- Fiscal year 2016 estimate of \$133,815,651 will cover the county's debt service, recurring educational, public safety, pension, health care, general government, culture and recreation, and community development ongoing expenses.
- Due to sound financial management in reducing normal operating expenses, the county was able to absorb a \$910,527 expenditure for the Board of Education as a result of State mandated increases in Maintenance of Effort and Teacher Pension funding. The County also absorbed an additional \$222,288 to fund the County's commitment to the Fraternal Order of Police (FOP) in accordance with the collective bargaining agreement executed February 19, 2015 without increasing any property tax rates..
- Budgeted prior year revenue increased from \$5.7 million to pay for one-time operating costs, pay-go Capital Improvement Plan funding, and minor capital/infrastructure.
- In addition, the FY2016 budget proposed the appropriation of \$2,837,923 in unassigned capital funds plus the proposed issuance of \$15,760,000 of new debt to fund approved CIP projects. Of the proposed new debt amount, \$10,558,228 is contemplated for Board of Education priority systemic renovations.
- All Departments, except for those associated with public safety, reduced their total operating expenses by 6.4%.
- Income tax revenue makes up 32% of total County revenue. It is critically important that actual revenues collected meet or exceed the budget estimate. Therefore, based on history and year to date projections, the conservative income tax budgeted revenue for 2016 is \$41 million which is approximately \$2 million more than the FY2015 budget.

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 Bob Culver or Director of Administration Wayne Strausburg	410-548-4801
Financial Results	Director of Finance Leslie Martin Lewis	410-548-4840
Fund Financial Statements	Assistant for Accounting John Ellis	410-548-4844

BASIC FINANCIAL STATEMENTS

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015

Primary Government

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
ASSETS			
Cash and cash equivalents	\$ 86,426,745	\$ 23,502,098	\$ 109,928,843
Certificates of deposit			
Receivables, taxes and other	2,362,174	3,176,620	5,538,794
Notes receivable	266,987		266,987
Due from other governmental agencies	7,231,960	1,040,073	8,272,033
Internal balances	297,662	(297,662)	
Advance to other funds	1,016,859	108,690	1,125,549
Inventories	295,114	213,850	508,964
Prepaid expenses	2,469,848	62,723	2,532,571
Net capital assets	86,116,341	60,796,013	146,912,354
Total assets	<u>186,483,690</u>	<u>88,602,405</u>	<u>275,086,095</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflow - pension	55,370		55,370
Deferred charges - refunding debt	4,109,505	15,964	4,125,469
Total deferred outflows of resources	<u>4,164,875</u>	<u>15,964</u>	<u>4,180,839</u>
LIABILITIES			
Accounts payable and accrued expenses	8,581,941	1,520,744	10,102,685
Accrued payroll and taxes	1,564,778	454,170	2,018,948
Due to other governmental agencies	625,114	14,557	639,671
Unearned revenue	94,102	668,148	762,250
Long-term liabilities			
Due within one year			
Capital lease obligations	234,528	149,533	384,061
Bonds, notes, and loans payable	8,708,485	215,169	8,923,654
Accrued interest payable	889,470	21,314	910,784
Compensated absences	974,896	101,305	1,076,201
Other liabilities to governmental agencies	91,947		91,947
Due in more than one year			
Capital lease obligations	2,510,902	748,835	3,259,737
Bonds, notes, and loans payable	97,074,385	1,385,181	98,459,566
Compensated absences	2,477,528	287,224	2,764,752
Net pension liability	6,964,518		6,964,518
Advance from other funds		1,125,549	1,125,549
Other liabilities to governmental agencies	197,892		197,892
Accrued landfill closure and post-closure costs		8,357,773	8,357,773
Total liabilities	<u>130,990,486</u>	<u>15,049,502</u>	<u>146,039,988</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflow - pension	39,804		39,804
Unavailable revenue	12,649	188,536	201,185
Total deferred inflows of resources	<u>52,453</u>	<u>188,536</u>	<u>240,989</u>
NET POSITION			
Invested in capital assets, net of related debt	8,094,779	58,313,259	66,408,038
Restricted for			
Capital projects			
Other	18,835,319	133,025	18,968,344
Unrestricted	32,675,528	14,934,047	47,609,575
Total net position	<u>\$ 59,605,626</u>	<u>\$ 73,380,331</u>	<u>\$ 132,985,957</u>

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

Component Units

		<u>Total</u>	
<u>Board of</u>	<u>Wicomico</u>	<u>Component</u>	<u>Total</u>
<u>Education</u>	<u>Free Library</u>	<u>Units</u>	
\$ 26,933,851	\$ 804,901	\$ 27,738,752	\$ 137,667,595
	11,030	11,030	11,030
510,833	7,506	518,339	6,057,133
			266,987
10,145,534	10,879	10,156,413	18,428,446
			1,125,549
1,446		1,446	510,410
1,850,394		1,850,394	4,382,965
267,247,740	1,468,642	268,716,382	415,628,736
<u>306,689,798</u>	<u>2,302,958</u>	<u>308,992,756</u>	<u>584,078,851</u>
			55,370
			4,125,469
			<u>4,180,839</u>
17,481,764	15,740	17,497,504	27,600,189
1,327,917	64,160	1,392,077	3,411,025
28,077		28,077	667,748
2,928,884		2,928,884	3,691,134
1,180,381		1,180,381	1,564,442
			8,923,654
			910,784
262,678	65,708	328,386	1,404,587
			91,947
1,125,997		1,125,997	4,385,734
			98,459,566
2,433,217	68,576	2,501,793	5,266,545
3,715,000		3,715,000	10,679,518
			1,125,549
			197,892
			8,357,773
<u>30,483,915</u>	<u>214,184</u>	<u>30,698,099</u>	<u>176,738,087</u>
			39,804
	31,426	31,426	232,611
	<u>31,426</u>	<u>31,426</u>	<u>272,415</u>
264,941,362	1,468,642	266,410,004	332,818,042
3,042,002		3,042,002	3,042,002
4,414,258	31,399	4,445,657	23,414,001
3,808,261	557,307	4,365,568	51,975,143
<u>\$ 276,205,883</u>	<u>\$ 2,057,348</u>	<u>\$ 278,263,231</u>	<u>\$ 411,249,188</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	Primary Government			
	Program Revenue			
	<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	\$ 33,732,762	\$ 2,848,071	\$ 10,288,003	\$
Public safety	26,772,964	1,964,927	1,812,883	
Public works	10,171,518	1,811,193	1,233,088	
Health and welfare	4,852,493	671,252	1,128,805	
Education	62,554,676			
Culture and recreation	3,840,241	1,212,143	180,314	
Interest on long-term debt	3,941,942			
Total governmental activities	145,866,596	8,507,586	14,643,093	
Business-type activities				
Solid Waste	5,685,247	6,121,971		
Airport	4,680,422	1,197,036	3,170,240	
Nursing Home	8,945,373	9,102,384	115	
Urban Services	539,017	561,108		
Convention & Visitors Bureau	1,844,261	1,124,150	59,170	
Civic Center	4,333,234	3,103,066		
Other business-type activities	101,859	26,126		
Total business-type activities	26,129,413	21,235,841	3,229,525	
Total primary government	\$ 171,996,009	\$ 29,743,427	\$ 17,872,618	\$
Component Units				
Board of Education	\$ 209,397,120	\$ 1,525,588	\$ 43,880,594	\$ 20,038,839
Wicomico County Free Library	2,742,261	183,634	391,802	
Total component units	\$ 212,139,381	\$ 1,709,222	\$ 44,272,396	\$ 20,038,839

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

Net gain (loss) on disposal of fixed assets

Miscellaneous

SPECIAL ITEMS

Donation of fixed assets to County

TRANSFERS

Total general revenues, special items, and transfers

Change in net position

NET POSITION, AS RESTATED - BEGINNING

NET POSITION - ENDING

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

Component Units

Net (Expense) Revenue and Changes in Net Position

<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</u> <u>County Free</u> <u>Library</u>	<u>Total</u> <u>Component</u> <u>Units</u>	<u>Total</u>
\$ (20,596,688)	\$	\$ (20,596,688)	\$	\$	\$	\$ (20,596,688)
(22,995,154)		(22,995,154)				(22,995,154)
(7,127,237)		(7,127,237)				(7,127,237)
(3,052,436)		(3,052,436)				(3,052,436)
(62,554,676)		(62,554,676)				(62,554,676)
(2,447,784)		(2,447,784)				(2,447,784)
(3,941,942)		(3,941,942)				(3,941,942)
<u>(122,715,917)</u>		<u>(122,715,917)</u>				<u>(122,715,917)</u>
	436,724	436,724				436,724
	(313,146)	(313,146)				(313,146)
	157,126	157,126				157,126
	22,091	22,091				22,091
	(660,941)	(660,941)				(660,941)
	(1,230,168)	(1,230,168)				(1,230,168)
	(75,733)	(75,733)				(75,733)
	<u>(1,664,047)</u>	<u>(1,664,047)</u>				<u>(1,664,047)</u>
<u>\$ (122,715,917)</u>	<u>\$ (1,664,047)</u>	<u>\$ (124,379,964)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (124,379,964)</u>
\$	\$	\$	\$ (143,952,099)	\$	\$ (143,952,099)	\$ (143,952,099)
				(2,166,825)	(2,166,825)	(2,166,825)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (143,952,099)</u>	<u>\$ (2,166,825)</u>	<u>\$ (146,118,924)</u>	<u>\$ (146,118,924)</u>
\$ 62,585,885	\$	\$ 62,585,885	\$	\$	\$	\$ 62,585,885
49,972,561	1,230,335	51,202,896				51,202,896
			115,181,027	967,839	116,148,866	116,148,866
			40,396,119	1,147,929	41,544,048	41,544,048
48,753	25,071	73,824		485	485	74,309
52,483	(166,408)	(113,925)				(113,925)
787,779	38,080	825,859	145,210		145,210	971,069
608,185		608,185				608,185
837,807	(837,807)					
<u>114,893,453</u>	<u>289,271</u>	<u>115,182,724</u>	<u>155,722,356</u>	<u>2,116,253</u>	<u>157,838,609</u>	<u>273,021,333</u>
<u>(7,822,464)</u>	<u>(1,374,776)</u>	<u>(9,197,240)</u>	<u>11,770,257</u>	<u>(50,572)</u>	<u>11,719,685</u>	<u>2,522,445</u>
<u>67,428,090</u>	<u>74,755,107</u>	<u>142,183,197</u>	<u>264,435,626</u>	<u>2,107,920</u>	<u>266,543,546</u>	<u>408,726,743</u>
<u>\$ 59,605,626</u>	<u>\$ 73,380,331</u>	<u>\$ 132,985,957</u>	<u>\$ 276,205,883</u>	<u>\$ 2,057,348</u>	<u>\$ 278,263,231</u>	<u>\$ 411,249,188</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 47,214,753	\$ 1,538,308	\$ 36,143,290
Taxes receivable, net	346,970		
Other receivables	877,636	1,094,008	
Due from other funds	297,662		
Due from other governmental agencies	5,472,198	992,814	604,764
Advance to other funds	1,016,859		
Inventories	287,646		
Prepaid expenses	642,099		
Total assets	<u>56,155,823</u>	<u>3,625,130</u>	<u>36,748,054</u>
LIABILITIES			
Accounts payable and accrued expenses	2,040,313	1,252,577	5,132,276
Accrued payroll and taxes	1,408,086	46,575	
Payable to other governmental agencies	625,114		
Unearned revenues		59,339	
Accrued compensated absences	970,357	4,539	
Total liabilities	<u>5,043,870</u>	<u>1,363,030</u>	<u>5,132,276</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	177,032		
Total deferred inflows of resources	<u>177,032</u>		
FUND BALANCES			
Nonspendable	929,745		
Restricted	1,552,025	2,262,100	26,510,450
Committed	12,634,604		5,105,328
Assigned	2,072,801		
Unassigned	33,745,746		
Total fund balances	<u>50,934,921</u>	<u>2,262,100</u>	<u>31,615,778</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 56,155,823</u>	<u>\$ 3,625,130</u>	<u>\$ 36,748,054</u>

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

<u>Recreation</u>	<u>Agricultural Tax (non-major)</u>	<u>Total Governmental Funds</u>
\$ 1,447,143	\$ 83,251	\$ 86,426,745
		346,970
43,560		2,015,204
		297,662
		7,069,776
		1,016,859
7,468		295,114
97,281		739,380
<u>1,595,452</u>	<u>83,251</u>	<u>98,207,710</u>
108,287	48,488	8,581,941
110,117		1,564,778
		625,114
		59,339
		974,896
<u>218,404</u>	<u>48,488</u>	<u>11,806,068</u>
	34,763	211,795
	<u>34,763</u>	<u>211,795</u>
7,468		937,213
51,390		30,375,965
		17,739,932
1,318,190		3,390,991
		33,745,746
<u>1,377,048</u>		<u>86,189,847</u>
<u>\$ 1,595,452</u>	<u>\$ 83,251</u>	<u>\$ 98,207,710</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance, governmental funds	\$	86,189,847
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		
		86,116,341
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		
Notes receivable		266,987
Net OPEB asset		1,730,468
Other receivables		162,184
Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.		
Unavailable property taxes		164,383
Deferred financing inflow - pension		(39,804)
Certain expenses that do not reduce current financial resources are not reported in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position.		
Deferred financing outflow - pension		55,370
Deferred charges - refunding debt		4,109,505
Long-term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the fund financial statements:		
Capital lease obligations		(2,745,430)
Bonds, notes, and loans payable		(105,782,870)
Accrued interest payable		(889,470)
Net pension liability		(6,964,518)
Compensated absences		(2,477,528)
Other liabilities to governmental agencies		(289,839)
Net position of governmental activities in the Statement of Net Position	\$	<u>59,605,626</u>

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
REVENUES			
Property taxes	\$ 62,719,687	\$	\$
Income taxes	46,070,753		
Other taxes	3,903,593		
Licenses and permits	1,332,569		
Intergovernmental	9,490,507	5,846,356	28,130
Charges for services	5,229,112	25,314	
Fines and forfeitures	73,092		
Miscellaneous	890,870	254	
Investment earnings	47,924	46	
Total revenues	<u>129,758,107</u>	<u>5,871,970</u>	<u>28,130</u>
EXPENDITURES			
Current			
General government	10,535,968	1,383,820	4,304,838
Public safety	14,323,127	1,377,593	1,445,445
Detention Center	11,189,442		
Public works	9,686,542	2,200,829	266,391
Health and welfare	3,359,650		1,494
Social services	298,753	1,137,071	
Education	45,709,865		16,852,930
Culture and recreation		458,800	330,809
Miscellaneous	12,984,704		
Debt service			
Principal	8,946,939		
Interest and other charges	3,774,881		
Total expenditures	<u>120,809,871</u>	<u>6,558,113</u>	<u>23,201,907</u>
Excess (deficiency) of revenues over expenditures	<u>8,948,236</u>	<u>(686,143)</u>	<u>(23,173,777)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net			10,540,252
Transfers in		2,263,321	2,018,165
Transfers out	(5,356,322)		(236,287)
Total other financing sources (uses)	<u>(5,356,322)</u>	<u>2,263,321</u>	<u>12,322,130</u>
Net change in fund balances	3,591,914	1,577,178	(10,851,647)
Fund balances, as restated - beginning	47,343,007	684,922	42,467,425
Fund balances - ending	<u>\$ 50,934,921</u>	<u>\$ 2,262,100</u>	<u>\$ 31,615,778</u>

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

<u>Recreation</u>	<u>Agricultural Tax (non-major)</u>	<u>Total Governmental Funds</u>
\$	\$	\$
		62,719,687
		46,070,753
		3,903,593
		1,332,569
		15,364,993
1,212,143		6,466,569
		73,092
1,851	3,636	896,611
783		48,753
<u>1,214,777</u>	<u>3,636</u>	<u>136,876,620</u>
		16,224,626
		17,146,165
		11,189,442
		12,153,762
		3,361,144
		1,435,824
		62,562,795
3,305,568		4,095,177
	3,636	12,988,340
		8,946,939
		3,774,881
<u>3,305,568</u>	<u>3,636</u>	<u>153,879,095</u>
<u>(2,090,791)</u>		<u>(17,002,475)</u>
		10,540,252
2,368,145		6,649,631
(219,215)		(5,811,824)
<u>2,148,930</u>		<u>11,378,059</u>
		(5,624,416)
58,139		91,814,263
1,318,909		
<u>\$ 1,377,048</u>	<u>\$</u>	<u>\$ 86,189,847</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$ (5,624,416)
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 capital outlays, \$13,077,222, exceeded depreciation expense, \$5,811,089, in the current period.	7,266,133
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations on net position).	608,185
Governmental funds report initial loans as expenditures. In contrast, the Statement of Activities reports the loans as notes receivable. Governmental funds report the principal and interest payments received on those loans as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the interest payments. Thus, the change in net position differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans.	(46,394)
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.	(1,380,007)
Revenues and expenditures are reported in the Statement of Activities on the accrual basis and in the governmental funds when they provide or use current financial resources. The following are differences between the governmental funds and the Statement of Activities:	
Payment on other liability not reflected on governmental funds	105,304
Accruals not reported on governmental funds:	
Accrued interest	(167,061)
Accrued post-retirement employment benefits	(8,459,309)
Accrued compensated absences	107,187
Other revenues	(232,086)
Change in net position of governmental activities	\$ (7,822,464)

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2015

	<u>Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 16,554,869	\$ 1,168,313	\$ 759,849
Accounts receivable, net	534,307	294,803	1,412,096
Due from other governmental agencies		654,079	385,994
Inventories	113,788		50,298
Prepaid expenses	57,505		
Total current assets	<u>17,260,469</u>	<u>2,117,195</u>	<u>2,608,237</u>
Non-current assets			
Advance to other funds			
Capital assets			
Construction in progress	492,191	3,433,886	
Intangibles	52,993	27,500	20,441
Land	176,633	6,402,061	11,156
Land improvements	509,561	1,435,800	43,541
Land disposal sites - liner costs	18,480,245		
Runways and ramps		59,729,717	
Buildings and improvements	665,012	14,490,177	3,275,769
Equipment and furniture	1,936,648	295,396	1,684,264
Vehicles	5,291,761	2,101,326	49,560
Less accumulated depreciation	<u>(20,574,605)</u>	<u>(45,590,580)</u>	<u>(3,176,681)</u>
Net capital assets	<u>7,030,439</u>	<u>42,325,283</u>	<u>1,908,050</u>
Total non-current assets	<u>7,030,439</u>	<u>42,325,283</u>	<u>1,908,050</u>
Total assets	<u>24,290,908</u>	<u>44,442,478</u>	<u>4,516,287</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges - refunding debt	<u>6,712</u>	<u>1,394</u>	
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	99,738	548,933	647,650
Accrued payroll and taxes	88,687	20,242	229,967
Due to other governmental agencies			
Unearned revenues	220,573	145,280	
Capital lease obligation	81,992	44,749	
Bonds, notes, and loans payable	59,528	89,303	50,223
Accrued interest payable	17,112	130	
Due to other funds			297,662
Compensated absences	57,020	9,920	
Total current liabilities	<u>624,650</u>	<u>858,557</u>	<u>1,225,502</u>
Non-current liabilities			
Capital lease obligation	25,727	479,088	
Bonds, notes, and loans payable	1,038,604	186,954	
Compensated absences	125,501	31,329	
Advances from other funds			
Accrued landfill closure and post-closure costs	8,357,773		
Total non-current liabilities	<u>9,547,605</u>	<u>697,371</u>	
Total liabilities	<u>10,172,255</u>	<u>1,555,928</u>	<u>1,225,502</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments			
NET POSITION			
Invested in capital assets, net of related debt	5,831,300	41,526,583	1,857,827
Restricted for other			49,430
Unrestricted	8,294,065	1,361,361	1,383,528
Total net position	<u>\$ 14,125,365</u>	<u>\$ 42,887,944</u>	<u>\$ 3,290,785</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>
\$ 868,400	\$ 926,560	\$ 3,069,266	\$ 154,841	\$ 23,502,098
144,122	156,251	247,947	387,094	3,176,620
	186	49,578		1,040,073
	5,218			213,850
1,012,522	1,088,215	3,366,791	541,935	27,995,364
	108,690			108,690
	79,254	206,425		4,211,756
	16,340	54,903		172,177
1,878,754		1,564,318		8,154,168
		1,288,338		5,155,994
				18,480,245
				59,729,717
	613,609	14,706,194		33,750,761
	197,077	973,709		5,087,094
	74,808	52,117		7,569,572
(1,725,208)	(448,447)	(9,999,950)		(81,515,471)
153,546	532,641	8,846,054		60,796,013
153,546	641,331	8,846,054		60,904,703
1,166,068	1,729,546	12,212,845	541,935	88,900,067
	781	7,077		15,964
94,015	32,859	97,325	224	1,520,744
	19,321	94,444	1,509	454,170
14,557				14,557
	143,753	158,542		668,148
	4,342	18,450		149,533
	2,250	13,865		215,169
	73	3,999		21,314
				297,662
	6,300	27,967	98	101,305
108,572	208,898	414,592	1,831	3,442,602
	46,490	197,530		748,835
	9,167	150,456		1,385,181
	12,601	117,597	196	287,224
1,016,859		108,690		1,125,549
				8,357,773
1,016,859	68,258	574,273	196	11,904,562
1,125,431	277,156	988,865	2,027	15,347,164
188,536				188,536
153,546	471,173	8,472,830		58,313,259
83,595				133,025
(385,040)	981,998	2,758,227	539,908	14,934,047
\$ (147,899)	\$ 1,453,171	\$ 11,231,057	\$ 539,908	\$ 73,380,331

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 6,121,971	\$ 1,197,036	\$ 8,885,038
Other operating revenue			217,346
Total operating revenues	6,121,971	1,197,036	9,102,384
OPERATING EXPENSES			
Personnel services	2,580,521	459,712	5,721,704
Contractual services	206,510	35,353	1,629,418
Utilities	113,935	149,134	320,549
Repairs and maintenance	922,633	285,259	84,549
Other supplies and expenses	306,939	84,376	956,170
Insurance claims and expenses	23,000	37,893	72,270
Provision for post-closure costs	382,105		
Direct costs of events			
Depreciation	1,123,409	3,621,491	160,713
Total operating expenses	5,659,052	4,673,218	8,945,373
Operating income (loss)	462,919	(3,476,182)	157,011
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	9,983	1,706	1,009
Miscellaneous revenue	11,676	88,146	2,998
Grants and contributions		3,170,240	115
Passenger facility charges, net of fees		(98,561)	
Interest expense	(26,195)	(929)	
Miscellaneous expense		(6,275)	
Net non-operating revenue	(4,536)	3,154,327	4,122
Income (loss) before contributions and transfers	458,383	(321,855)	161,133
Transfers in			
Transfers out			
Gain (loss) on disposal of capital assets	(180,561)	19,274	(5,121)
Change in net position	277,822	(302,581)	156,012
Total net position - beginning, as restated	13,847,543	43,190,525	3,134,773
Total net position - ending	\$ 14,125,365	\$ 42,887,944	\$ 3,290,785

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>
\$ 561,108	\$ 1,124,150	\$ 156,596	\$ 26,126	\$ 16,947,875
		2,946,470		4,287,966
<u>561,108</u>	<u>1,124,150</u>	<u>3,103,066</u>	<u>26,126</u>	<u>21,235,841</u>
	561,653	1,731,840	25,511	11,080,941
4,000	102,431	54,789	200	2,032,701
458,293	19,945	263,127	1,783	1,326,766
	33,607	162,978		1,489,026
55,478	62,765	43,464	74,365	1,583,557
	278	13,154		146,595
				382,105
	1,023,550	1,490,707		2,514,257
11,887	39,513	560,201		5,517,214
<u>529,658</u>	<u>1,843,742</u>	<u>4,320,260</u>	<u>101,859</u>	<u>26,073,162</u>
<u>31,450</u>	<u>(719,592)</u>	<u>(1,217,194)</u>	<u>(75,733)</u>	<u>(4,837,321)</u>
	4,950	1,425		25,071
5,998	965,094	299,053	9	1,366,976
	59,170			3,229,525
				(98,561)
(9,359)	(519)	(12,974)		(49,976)
				(6,275)
<u>(3,361)</u>	<u>1,028,695</u>	<u>287,504</u>	<u>9</u>	<u>4,466,760</u>
<u>28,089</u>	<u>309,103</u>	<u>(929,690)</u>	<u>(75,724)</u>	<u>(370,561)</u>
	15,728	823,191	537,094	1,376,013
(2,000,000)	(135,635)	(78,185)		(2,213,820)
				(166,408)
<u>(1,971,911)</u>	<u>189,196</u>	<u>(184,684)</u>	<u>461,370</u>	<u>(1,374,776)</u>
<u>1,824,012</u>	<u>1,263,975</u>	<u>11,415,741</u>	<u>78,538</u>	<u>74,755,107</u>
<u>\$ (147,899)</u>	<u>\$ 1,453,171</u>	<u>\$ 11,231,057</u>	<u>\$ 539,908</u>	<u>\$ 73,380,331</u>

**WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Solid Waste</u>	<u>Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 6,249,102	\$ 530,036
Payments to suppliers for goods and services	(1,729,215)	(129,831)
Payments to employees for services	(2,592,269)	(455,047)
Net cash provided (used) by operating activities	<u>1,927,618</u>	<u>(54,842)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers		
(Increase) decrease in due from/advances from other funds		
Other income	11,676	81,872
Net cash provided (used) by noncapital financing activities	<u>11,676</u>	<u>81,872</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(9,071)	(796)
Acquisition and construction of capital assets	(282,759)	(3,381,605)
Proceeds from issuance of bonds	1,000,000	
Principal payments on notes and bonds payable	(285,096)	(138,520)
Proceeds from sale of capital assets, net of expenses	1,626	19,274
Capital grants		3,170,240
Passenger facility charges, net of fees		(98,561)
Net cash provided (used) by capital and related financing activities	<u>424,700</u>	<u>(429,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	9,983	1,706
Net cash provided by investing activities	<u>9,983</u>	<u>1,706</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,373,977	(401,232)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,180,892</u>	<u>1,569,545</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,554,869</u>	<u>\$ 1,168,313</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 462,919	\$ (3,476,182)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,123,409	3,621,491
Provision for bad debt		
Landfill closure and post-closure cost	382,105	
Deferred inflow - unavailable revenue		
Changes in assets and liabilities:		
Accounts receivable	157,469	(35,666)
Other receivables		(631,334)
Prepaid expenses	(57,505)	
Due to/from other governmental agencies		
Inventories	(1,733)	
Accounts payable and accrued expenses	(108,708)	466,849
Unearned revenues	(30,338)	
Net cash provided (used) by operating activities	<u>\$ 1,927,618</u>	<u>\$ (54,842)</u>

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,920,051	\$ 588,931	\$ 1,119,500	\$ 3,064,357	\$ 187,996	\$ 20,659,973
(4,727,071)	(546,158)	(1,293,697)	(2,024,238)	(76,893)	(10,527,103)
(3,941,224)		(561,552)	(1,710,571)	(24,438)	(9,285,101)
<u>251,756</u>	<u>42,773</u>	<u>(735,749)</u>	<u>(670,452)</u>	<u>86,665</u>	<u>847,769</u>
	(2,000,000)	(119,907)	744,935		(1,374,972)
	941,859	14,410	(14,410)		941,859
156		965,094	299,084	7	1,357,889
<u>156</u>	<u>(1,058,141)</u>	<u>859,597</u>	<u>1,029,609</u>	<u>7</u>	<u>924,776</u>
	(16,859)	(445)	(11,622)		(38,793)
(74,409)		(79,254)	(68,633)		(3,886,660)
		(9,783)	(59,033)		1,000,000
		59,170			(492,432)
					20,900
					3,229,410
					(98,561)
<u>(74,409)</u>	<u>(16,859)</u>	<u>(30,312)</u>	<u>(139,288)</u>		<u>(266,136)</u>
1,009	5,998	4,950	1,425		25,071
<u>1,009</u>	<u>5,998</u>	<u>4,950</u>	<u>1,425</u>		<u>25,071</u>
178,512	(1,026,229)	98,486	221,294	86,672	1,531,480
581,337	1,894,629	828,074	2,847,972	68,169	21,970,618
<u>\$ 759,849</u>	<u>\$ 868,400</u>	<u>\$ 926,560</u>	<u>\$ 3,069,266</u>	<u>\$ 154,841</u>	<u>\$ 23,502,098</u>
\$ 157,011	\$ 31,450	\$ (719,592)	\$ (1,217,194)	\$ (75,733)	\$ (4,837,321)
160,713	11,887	39,513	560,201		5,517,214
679,949					679,949
	95				382,105
					95
(816,605)	27,823	(17,402)	(128,078)	161,870	(650,589)
					(631,334)
1,042		1,046	855		(54,562)
(216,487)	(1,419)				(217,906)
12,238			(3,054)		7,451
273,895	(27,063)	(52,066)	27,449	528	580,884
		12,752	89,369		71,783
<u>\$ 251,756</u>	<u>\$ 42,773</u>	<u>\$ (735,749)</u>	<u>\$ (670,452)</u>	<u>\$ 86,665</u>	<u>\$ 847,769</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2015

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,304,590	\$ 3,962,348	\$ 1,263,444	\$ 8,530,382
Investments		58,734,284	14,789,641	73,523,925
Accounts receivable	76,149			76,149
Total assets	<u>3,380,739</u>	<u>62,696,632</u>	<u>16,053,085</u>	<u>82,130,456</u>
LIABILITIES				
Accounts payable	778,541			778,541
Held on the behalf of others	<u>2,602,198</u>			<u>2,602,198</u>
Total liabilities	<u>3,380,739</u>			<u>3,380,739</u>
Change in net position				
Held in trust for retirement benefits		<u>62,696,632</u>	<u>16,053,085</u>	<u>78,749,717</u>
Total net position	<u>\$</u>	<u>\$ 62,696,632</u>	<u>\$ 16,053,085</u>	<u>\$ 78,749,717</u>

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 5,053,517	\$ 2,709,589	\$ 7,763,106
Investment earnings			
Net earnings and decrease			
in fair value of investments	77,598	(5,957)	71,641
Total net investment earnings	77,598	(5,957)	71,641
Total additions	5,131,115	2,703,632	7,834,747
DEDUCTIONS			
Benefits	3,328,886		3,328,886
Administrative	63,453	48,107	111,560
Total deductions	3,392,339	48,107	3,440,446
Change in net position	1,738,776	2,655,525	4,394,301
Net position - beginning	60,957,856	13,397,560	74,355,416
Net position - ending	<u>\$ 62,696,632</u>	<u>\$ 16,053,085</u>	<u>\$ 78,749,717</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Financial reporting entity

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

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

Blended component units reported within the Primary Government:

Enterprise Funds:

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

Discretely presented component units:

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related organizations

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

Basic financial statements—government-wide financial statements

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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. During the year ended June 30, 2015, the Roads Fund was moved into the General 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. Recreation Fund is a special revenue fund used to account for activities at Recreation and Parks.

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

2. Enterprise Funds:

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements—fund financial statements (continued)

- a. Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, Federal, and county regulations and to provide for recycling.
- b. Airport Fund is used to account for the activities at the Salisbury-Ocean City: Wicomico Regional Airport.
- c. Nursing Home Fund is used to account for the activities at the Wicomico Nursing Home, a 102-bed nursing home providing comprehensive skilled nursing care and other related services in Salisbury, Maryland.
- d. 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.
- e. Convention & Visitors Bureau Fund is used to account for activities related to the enhancement of the economic impact of tourism in the County.
- f. Civic Center Fund is used to account for activities related to the Wicomico Youth and Civic Center.

The County's non-major enterprise funds include Economic Development Loan Proceeds and Electrical Board.

3. Fiduciary Funds:

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

- a. Inmate Welfare Fund is used to account for assets held for and due to inmates of the Wicomico County Detention Center.
- b. Narcotics Task Force Escrow includes three funds. One is used to account for monies that are confiscated in drug related activities at the local level. At the local level, the funds are held until released by the court case verdict and used by the Task Force thereafter. Another fund is used to account for the daily operating activities of the task force. The other fund is used to account for monies received in activities involving federal seizures.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements—fund financial statements (continued)

- c. Volunteer Fire Fund is a capital sinking fund used to account for the annual appropriation from the General Fund to be used for the purchase of new capital equipment for the 14 volunteer fire companies in Wicomico County.
- d. Forest Conservation Fund is used to account for the activity related to developmental projects which, by county code, require funding for a forestation or reforestation by the developer at the completion of a project.
- e. Tax Ditches collects and holds the funds on behalf of the Tax Ditch Associations.
- f. Hazmat Billing is to be used to reimburse volunteer fire companies for costs of environmental cleanup due to chemical/fuel spills from vehicle accidents.
- g. Bail Bonds are to be held in a fiduciary capacity until adjudicated or for 10 years, whichever comes first.
- h. The County's Pension Trust Fund is used to account for the activity related to the Employees' Retirement Plan of Wicomico County. The County's OPEB Trust Fund (Health Care Trust Fund) is used for the activity related to the Post-Retirement Health Care Benefits Plan for the Employees of Wicomico County.

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

Discretely presented component units

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

- a. Board of Education of Wicomico County is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Wicomico County, Maryland.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely presented component units (continued)

- b. The Wicomico County Free Library is a non-profit public library that is governed by a Board of Trustees. Services provided include offering library materials of various types for use by the general public.

Measurement focus/basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which all the eligibility requirements have been satisfied

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. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement expenditures, and claims and judgments, are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Income taxes are reported as revenue if received by August 31st of each fiscal year. Under the modified accrual basis of accounting, revenues are recorded in governmental funds as soon as they are measurable and available to pay liabilities of the current period.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus/basis of accounting (continued)

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, 2015, the County's share was \$9,686,264.

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 2016, 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.

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Solid Waste Landfill and Salisbury – Ocean City: Wicomico Regional Airport Funds are adopted under a basis consistent with GAAP, only Solid Waste considers depreciation in the budget. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2015.

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

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

Deferred outflows of resources

The County reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and enterprise fund statements of net position and the governmental funds balance sheet. The County has two types of items that qualify for reporting in this category: deferred charges relating to the refunding of debt, and deferred financing outflows related to the net pension liability.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The County reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and enterprise fund statements of net position and the governmental funds balance sheet. The County has two types of items that qualify for reporting in this category: deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the County's fiscal year), and a deferred financing inflow related to the net pension liability.

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.

Inter-fund activity

Inter-fund activity consists of advances, loans, services provided, reimbursements, or transfers between funds. Advances and loans are reported as inter-fund 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 inter-fund 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 in the General Fund and Solid Waste 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:

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (continued)

	<u>Life</u>
Land improvements	15 – 20 years
Intangibles	15 – 20 years
Buildings and improvements	20 – 50 years
Runways and ramps	15 – 25 years
Vehicles	2 – 5 years
Infrastructure	15 – 35 years
Machinery, office furniture, and equipment	3 – 10 years

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

Long-term obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type Statement of Net Position. Bond premiums and discounts 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. Bond discounts are reported as deferred charges. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated absences

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

Taxes and county services

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax credit – the Wynne Case

The State of Maryland currently allows Maryland citizens who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland Personal Income Tax for the income taxes paid to the other jurisdictions. Maryland has not allowed this credit against Maryland County or Municipal income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the appeal for the case, which will result in the State allowing credits against county income taxes with a resulting reduction in annual income tax revenue. For Wicomico County, the estimated effect is a reduction of \$220,000 per year. This reduction was built into the fiscal year 2015 revenue estimate although the first reduction may not now take place until fiscal year 2016. In addition the tax law will allow a refund of overpayments for three prior tax years. The State Comptroller has estimated Wicomico County's liability for these refunds to be about \$750,000. The County established a fund balance reserve in fiscal year 2013 to offset the effects of these payments on future year revenue streams.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and deemed collectible within the same period in which the taxes are levied. Property taxes and other revenues are shown net of discounts and allowances. 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 unearned revenue by the recipient.

Property taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2015 are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred inflows in the fund statements. An allowance is established for delinquent personal property taxes to the extent that their collectability is improbable. The tax is levied on the full real property assessable basis; however, effective for the year ended June 30, 2002 and subsequent, the taxpayers passed a revenue cap on the growth of real property tax revenues. Therefore, the Council cannot increase real property tax revenue over the previous year's revenue, excluding new construction, more than the lesser of 2% or the CPI-U.

On July 1, 2001, the County began billing and collecting property taxes for the City of Salisbury, MD. As of June 30, 2015, both local property taxes receivable and due to other governments included \$125,297 due on behalf of and to the City of Salisbury.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash flows

For the purposes of the Statement of Cash Flows, the enterprise funds have defined cash and 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.

Fund balance classifications – balance sheet

Governmental Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) requires fund balance classifications, as follows:

1. Non-spendable: Amounts that cannot be spent because they are either in a non-spendable 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classifications – balance sheet (continued)

The County has a policy for the spending order of the different types of fund balances. Non-spendable 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.

General fund

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

1. Non-spendable: prepaid expenses and inventory reserve.

Prepaid expenses	\$ 642,099
Roads inventory reserve	287,646
Total	\$ 929,745

2. Restricted: the Rate Stabilization Reserve for health insurance, which is governed by a contract; all encumbrances in all governmental funds are also restricted.

Encumbrances	\$ 237,685
Early retiree reinsurance program	7,134
Health care rate stabilization	1,307,206
Total	\$ 1,552,025

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	\$ 6,184,592
Commitments and emergencies	6,450,012
Total	\$ 12,634,604

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

General fund (continued)

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

Arbitrage	\$ 108,955
Working capital, Detention Center vending	1,000
Death benefits	166,129
Self-insurance	937,880
GIS mapping	49,023
Drill academy	59,814
Wynne tax case	750,000
Total	\$ 2,072,801

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

Unassigned	\$ 33,745,746
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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 and General Fund transfers.
3. Recreation Fund – this fund is used to account for activities at Recreation and Parks.
4. Agricultural Tax Fund – this non-major fund is used to account for activities related to the County agricultural tax.

Government-wide net position

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Management has evaluated subsequent events through December 15, 2015, the date the financial statements were available to be issued.

Change in accounting principles

During 2015, the County adopted GASB Statement No 68, *Accounting and Financial Reporting for Pensions*. Adoption of this statement requires the County to provide additional information in the financial statements related to all pension plans. Implementation of GASB Statement No. 68 resulted in a restatement of the net position as of June 30, 2014, which is summarized in the Prior Period Adjustments Footnote.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Wicomico County (continued)

With the exception of the deposits in the Maryland Local Government Investment Pool (MLGIP), Wicomico County does not have any investments.

At June 30, 2015, the carrying amount of the County’s cash deposits including the certificates of deposit for the primary government was \$109,928,843 and the bank balance was \$105,410,007. All deposits are carried at cost plus accrued interest. Of the bank balance \$89,208,497 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 \$16,201,510 were exposed to custodial credit risk as follows:

FDIC coverage	\$	1,618,422
Uninsured and collateral held by the pledging financial institution but not in the County’s name		5,148,540
Uninsured and collateral held by the pledging institutions trust department but not in the County’s name		8,823,064
Uninsured and uncollateralized		611,484
		\$ 16,201,510

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, 2015, \$611,484 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 “AAA”, 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 85% of total cash as of June 30, 2015.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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 85% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2015, the actual yield of the MLGIP is estimated to be 0.05%. The fair value of the pool is the same as the value of the pool shares.

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, 2015, the carrying amount of the County's cash deposits held on behalf of agency funds was \$3,304,590 and the bank balance was \$3,304,494. Of the bank balance, \$388,613 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 range of 60% equity, 40% government and corporate bond mix plus or minus 5% (policy change implemented in fiscal year 2014). 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 BNY Mellon and Aetna Insurance Company in the County's name.

Pension and Health Care Trust Funds are invested as follows:

	<u>Pension Trust Fund</u>		<u>Health Care Trust Fund GASB 45</u>
	<u>BNY Mellon</u>	<u>Aetna</u>	<u>BNY Mellon</u>
Cash and cash equivalents	\$ 3,729,224	\$ 233,124	\$ 1,263,444
Government bonds	10,911,203		3,259,330
Fixed income		2,777,923	
Corporate bonds	10,759,860		2,387,222
Equities	34,285,298		9,143,089
Total	\$ 59,685,585	\$ 3,011,047	\$ 16,053,085

There are no investments in any one organization in either fiduciary trust whose value exceeds 5% of the trust net position.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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:

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

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

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (continued)

At June 30, 2015, the Board's non-pension funds were invested as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash	\$ 1,530	\$ 1,923,808
Investments – cash equivalents	26,932,321	26,932,321
Total	<u>\$ 26,933,851</u>	<u>\$ 28,856,129</u>

At June 30, 2015, the Board had bank deposits totaling \$1,923,808 with a carrying value of \$1,530. The Board is party to a security and custodial agreement with its bank wherein deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by pledged securities held in the Board's name at The Bank of New York Mellon. As of June 30, 2015, the bank deposits were fully insured or collateralized. The bank balances were exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateral held by pledging bank's trust department in the Board's name	<u>1,673,808</u>
	<u>\$ 1,923,808</u>

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 fair value. Investments in MLGIP totaled \$26,932,321 at June 30, 2015 with \$4,414,258 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, 2015

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (continued)

The Board's pension investments are held by The Bank of New York Mellon (BNY Mellon), Aetna Insurance Company and Janus in the Board's name. The Board's Retiree Health Plan Trust investments are held at BNY Mellon in the Board's name.

Pension and Other Trust Funds are invested as follows:

	<u>Pension Trust</u>		<u>401(a)</u>	<u>Retiree Health</u>	<u>Total</u>
	<u>BNY Mellon</u>	<u>AETNA</u>	<u>Janus</u>	<u>Plan Trust</u> <u>BNY Mellon</u>	
Cash and equivalents	\$ 1,284,136	\$ 16,199	\$ 193,321	\$ 1,045,600	\$ 2,539,256
Government bonds	3,353,453	112,743	524,214	2,900,997	6,891,407
Commercial paper (less than 1 year)		194,474			194,474
Mortgage loans		307,128	365,246		672,374
Corporate bonds	3,794,523	1,183,806	538,970	2,609,170	8,126,469
Common stock	11,168,450		2,090,494	8,387,002	21,645,946
Other			95,577		95,577
Total	\$ 19,600,562	\$ 1,814,350	\$ 3,807,822	\$ 14,942,769	\$ 40,165,503

Corporate bonds held at June 30, 2015 are rated by Standard & Poor's as follows:

<u>Rating</u>	<u>Percent of Corporate Bond Portfolio</u>			
	<u>Pension Trust</u> <u>BNY Mellon</u>	<u>AETNA</u>	<u>401(a)</u> <u>Janus</u>	<u>Retiree Health</u> <u>Plan Trust</u> <u>BNY Mellon</u>
AAA	5.42%		37.27%	5.75%
AA+	3.59%			2.92%
AA	5.64%		17.85%	4.44%
AA-	18.34%	18.84%		23.75%
A+	15.16%			14.63%
A	41.01%	20.29%	4.00%	42.31%
A-				
BBB+	5.60%	20.29%		3.92%
BBB	5.24%		26.51%	2.28%
BBB-		40.58%		
BB			11.50%	
B			1.45%	
Not Rated			1.42%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (continued)

Pension Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2015 are as follows:

	Par Value	Description	Coupon Rate	Due
\$	70,000	Baker Hughes Inc.	7.50%	11/15/18
\$	70,000	Becton Dickinson.	1.75%	11/08/16
\$	80,000	Berkshire Hathaway	1.60%	05/15/17
\$	85,000	BP Capital Markets	3.13%	10/01/15
\$	185,000	Caterpillar Inc.	5.45%	04/15/18
\$	200,000	Charles Schwab Corp.	4.45%	07/22/20
\$	45,000	Cisco Systems Inc.	5.50%	02/22/16
\$	200,000	Cisco Systems Inc.	2.13%	03/01/19
\$	95,000	Coca-Cola Co.	1.50%	11/15/15
\$	95,000	Colgate-Palmolive	3.15%	08/05/15
\$	45,000	ConocoPhillips Corp.	5.20%	05/15/18
\$	170,000	Costco Wholesale Corp.	1.13%	12/15/17
\$	25,000	Deere & Co.	8.50%	01/09/22
\$	160,000	Deere Capital Corp.	2.00%	01/13/17
\$	45,000	Dupont EI De Nemours	6.00%	07/15/18
\$	200,000	Franklin Resources Inc.	4.63%	05/20/20
\$	125,000	General Electric Co.	5.25%	12/06/17
\$	125,000	GTE Corp.	6.84%	04/15/18
\$	120,000	IBM Corp.	5.70%	09/14/17
\$	70,000	Intel Corp.	1.95%	10/01/16
\$	185,000	Johnson & Johnson	5.15%	07/15/18
\$	100,000	Medtronic Inc.	4.75%	09/15/15
\$	60,000	Nucor Corp.	5.75%	12/01/17
\$	170,000	Occidental Petroleum	1.75%	02/15/17
\$	150,000	PepsiCo Inc.	7.90%	11/01/18
\$	30,000	Pharmacia Corp.	8.70%	10/15/21
\$	135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	200,000	Qualcomm Inc.	3.00%	05/20/22
\$	85,000	Texas Instruments Inc.	2.38%	05/16/16
\$	95,000	The Walt Disney Company	1.35%	08/16/16
\$	45,000	United Parcel Service	5.50%	01/15/18
\$	50,000	United Technologies Corp.	5.38%	12/15/17
\$	50,000	Washington Post Co.	7.25%	02/01/19

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (continued)

AETNA:

Corporate bond issues held at June 30, 2015 are as follows:

	<u>Percent of Holdings</u>
Ford Motor Company	21.74%
Anheuser-Busch	20.29%
Republic of Italy	20.29%
Kinder Morgan Inc.	18.84%
Kingdom of Norway	18.84%

401(a):

Janus:

Corporate bond issues held at June 30, 2015 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 5.09 years	

Retirement Health Plan Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2015 are as follows:

<u>Par Value</u>	<u>Description</u>	<u>Coupon Rate</u>	<u>Due</u>
\$ 20,000	Baker Hughes Inc.	7.50%	11/15/18
\$ 45,000	Becton Dickinson	1.75%	11/08/16
\$ 55,000	Berkshire Hathaway	1.60%	05/15/17
\$ 60,000	BP Capital Markets	3.13%	10/01/15
\$ 135,000	Caterpillar Inc.	5.45%	04/15/18
\$ 150,000	Charles Schwab Corp.	4.45%	07/22/20
\$ 15,000	Cisco Systems Inc.	5.50%	02/22/16
\$ 160,000	Cisco Systems Inc.	2.13%	03/01/19
\$ 60,000	Coca-Cola Co.	1.50%	11/15/15
\$ 60,000	Colgate-Palmolive	3.15%	08/05/15
\$ 15,000	ConocoPhillips Corp.	5.20%	05/15/18
\$ 110,000	Costco Wholesale	1.13%	12/15/17
\$ 125,000	Deere Capital Corp.	2.00%	01/13/17
\$ 15,000	Dupont El De Nemours	6.00%	07/15/18
\$ 150,000	Franklin Resources Inc.	4.63%	05/20/20

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (continued)

BNY Mellon (continued):

	Par Value	Description	Coupon Rate	Due
\$	70,000	General Electric Co.	5.25%	12/06/17
\$	50,000	GTE Corp debts	6.84%	04/15/18
\$	60,000	IBM Corp.	5.70%	09/14/17
\$	45,000	Intel Corp.	1.95%	10/01/16
\$	135,000	Johnson & Johnson	5.15%	07/15/18
\$	85,000	JP Morgan Chase Bank NA	5.88%	06/13/16
\$	150,000	Mastercard Inc.	2.00%	04/01/19
\$	20,000	Nucor Corp.	5.75%	12/01/17
\$	110,000	Occidental Petroleum	1.75%	02/15/17
\$	80,000	PepsiCo Inc.	7.90%	11/01/18
\$	35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	150,000	Qualcomm Inc.	3.00%	05/20/22
\$	60,000	Texas Instruments Inc.	2.38%	05/16/16
\$	60,000	The Walt Disney Company	1.35%	08/16/16
\$	150,000	Toyota Motor Credit Corp.	2.00%	10/24/18
\$	15,000	United Parcel Service	5.50%	01/15/18
\$	15,000	United Technologies Corp.	5.38%	12/15/17
\$	20,000	Washington Post Co.	7.25%	02/01/19

The Wicomico County Free Library

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

Cash that is not fully insured by the FDIC is collateralized as part of a tri-party collateral agreement with M & T Bank and the Bank of New York Mellon. This agreement provides continual maximum coverage of \$500,000 in case of default or failure of the Library's financial institution.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

Maryland Local Governments Investment Pool

The Library is a participant in the Maryland Local Government Investment Pool (MLGIP). The MLGIP is duly chartered, administered and subject to regulatory oversight by the State of Maryland. Permissible investments are established by Section 6-222 of the State Finance and Procurement Article. The MLGIP is rated “AAAm” by Standard and Poors (their highest rating). The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore based financial institution, Mercantile-Safe Deposit and Trust Company. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the Pool. The total investment has been recorded at a carrying value of \$400,664, which also approximates the fair market value at June 30, 2015. MGLIP and the Library’s exposure to credit, market, or legal risk is not available.

Wicomico Public Library endowment fund

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

The market value of the investment as of June 30, 2015 was \$12,876 and is included in cash and investments in the Gifts and Memorials Fund. Of this amount, \$1,846 is available to be drawn down by the Library. Activity in the endowment fund for the year is as follows:

Balance, beginning of year	\$	13,102
Loss		(226)
Balance, end of year	\$	<u>12,876</u>

Wicomico Public Library non-endowed fund

In June 2015, an individual donated stock to the Library which was liquidated and put into a new account with the CFES, called the Wicomico County Free Library Non-Endowed Fund. Any distributions from the fund must be requested by the Executive Director and the Board Chair and must be used for the sole purpose of serving the non-profit mission of the Library. The CFES shall sweep all interest from the Fund to offset its administrative costs. The balance in this fund at June 30, 2015 was \$9,834 and is included in the restricted fund balance.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

RECEIVABLES

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year unavailable revenue for delinquent property taxes receivable reported in the general fund was \$164,383.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2015 are as follows:

	Governmental Activities				
	General Fund	Grants Fund	Capital Projects	Other	Total
Receivables					
Taxes receivable	\$ 1,421,083	\$	\$	\$ 38,949	\$ 1,460,032
Notes receivable	266,987				266,987
Due from other governmental agencies	5,634,382	992,814	604,764		7,231,960
Other receivables	877,636	1,094,008		4,611	1,976,255
Gross receivables	<u>8,200,088</u>	<u>2,086,822</u>	<u>604,764</u>	<u>43,560</u>	<u>10,935,234</u>
Less allowance for uncollectibles	1,074,113				1,074,113
Net total receivables	<u><u>\$ 7,125,975</u></u>	<u><u>\$ 2,086,822</u></u>	<u><u>\$ 604,764</u></u>	<u><u>\$ 43,560</u></u>	<u><u>\$ 9,861,121</u></u>
	Business-Type Activities				
	Solid Waste	Airport	Nursing Home	Other	Total
Receivables					
Accounts receivable	\$ 533,662	\$ 294,803	\$ 1,412,096	\$ 816,271	\$ 3,056,832
Due from other governmental agencies		654,079	385,994		1,040,073
Other receivables	645			119,143	119,788
Gross receivables	<u>534,307</u>	<u>948,882</u>	<u>1,798,090</u>	<u>935,414</u>	<u>4,216,693</u>
Less allowance for uncollectibles					
Net total receivables	<u><u>\$ 534,307</u></u>	<u><u>\$ 948,882</u></u>	<u><u>\$ 1,798,090</u></u>	<u><u>\$ 935,414</u></u>	<u><u>\$ 4,216,693</u></u>

Receivables for The Board of Education of Wicomico County and The Wicomico County Free Library as of June 30, 2015 are \$10,656,367 and \$18,385, respectively.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 6,499,654	\$	\$	\$	\$ 6,499,654
Intangibles	8,282,709	608,185			8,890,894
Construction in progress	6,885,913	5,089,519	(54,475)	(623,796)	11,297,161
Total capital assets not being depreciated	<u>21,668,276</u>	<u>5,697,704</u>	<u>(54,475)</u>	<u>(623,796)</u>	<u>26,687,709</u>
Capital assets being depreciated					
Infrastructure	169,144,614	1,874,452			171,019,066
Land improvements	1,407,273	14,512		87,761	1,509,546
Buildings and improvements	40,209,565	4,372,374		196,784	44,778,723
Machinery, office furniture and equipment	7,965,473	1,133,674	(21,500)	316,045	9,393,692
Intangibles	1,895,877	27,638	(63,236)	49,092	1,909,371
Vehicles	13,192,658	616,452	(355,480)	159,067	13,612,697
Total capital assets being depreciated	<u>233,815,460</u>	<u>8,039,102</u>	<u>(440,216)</u>	<u>808,749</u>	<u>242,223,095</u>
Total capital assets	<u>\$ 255,483,736</u>	<u>\$ 13,736,806</u>	<u>\$ (494,691)</u>	<u>\$ 184,953</u>	<u>\$ 268,910,804</u>
Accumulated depreciation					
Infrastructure	\$ (131,204,401)	\$ (3,043,438)	\$	\$	\$ (134,247,839)
Land improvements	(750,683)	(56,212)			(806,895)
Buildings and improvements	(26,617,850)	(1,265,451)			(27,883,301)
Machinery, office furniture and equipment	(6,713,535)	(432,592)	21,500	(349)	(7,124,976)
Intangibles	(1,585,389)	(129,689)	3,863		(1,711,215)
Vehicles	(10,319,799)	(883,707)	290,993	(107,724)	(11,020,237)
Total accumulated depreciation	<u>(177,191,657)</u>	<u>(5,811,089)</u>	<u>316,356</u>	<u>(108,073)</u>	<u>(182,794,463)</u>
Governmental activities capital assets, net	<u>\$ 78,292,079</u>	<u>\$ 7,925,717</u>	<u>\$ (178,335)</u>	<u>\$ 76,880</u>	<u>\$ 86,116,341</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government (continued)

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 8,154,168	\$	\$	\$	\$ 8,154,168
Intangibles	27,500	35,000			62,500
Construction in progress	1,495,018	3,487,487	(185,921)	(584,828)	4,211,756
Total capital assets not being depreciated	<u>9,676,686</u>	<u>3,522,487</u>	<u>(185,921)</u>	<u>(584,828)</u>	<u>12,428,424</u>
Capital assets being depreciated					
Land improvements	4,616,141	6,155		533,698	5,155,994
Land disposal sites - liner costs	18,480,245				18,480,245
Runways and ramps	59,729,717				59,729,717
Buildings and improvements	33,647,187	52,444		51,130	33,750,761
Machinery, office furniture and equipment	5,045,198	41,896			5,087,094
Intangibles	113,807		(4,130)		109,677
Vehicles	7,555,651	211,644	(186,423)	(11,300)	7,569,572
Total capital assets being depreciated	<u>129,187,946</u>	<u>312,139</u>	<u>(190,553)</u>	<u>573,528</u>	<u>129,883,060</u>
Total capital assets	<u>\$ 138,864,632</u>	<u>\$ 3,834,626</u>	<u>\$ (376,474)</u>	<u>\$ (11,300)</u>	<u>\$ 142,311,484</u>
Accumulated depreciation					
Land improvements	\$ (2,348,892)	\$ (110,461)	\$	\$	\$ (2,459,353)
Land disposal sites - liner costs	(12,707,138)	(824,730)			(13,531,868)
Runways and ramps	(31,488,027)	(3,125,662)			(34,613,689)
Buildings and improvements	(19,561,305)	(919,636)			(20,480,941)
Machinery, office furniture and equipment	(3,863,256)	(168,281)	52,730		(3,978,807)
Intangibles	(107,581)	(8,026)	4,130		(111,477)
Vehicles	(6,174,569)	(360,418)	207,593	(11,942)	(6,339,336)
Total accumulated depreciation	<u>(76,250,768)</u>	<u>(5,517,214)</u>	<u>264,453</u>	<u>(11,942)</u>	<u>(81,515,471)</u>
Business-type activities capital assets, net	<u>\$ 62,613,864</u>	<u>\$ (1,682,588)</u>	<u>\$ (112,021)</u>	<u>\$ (23,242)</u>	<u>\$ 60,796,013</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS (Continued)

Primary Government (continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 721,220
Public Safety	971,298
Public Works	3,558,556
Health & Welfare	67,054
Culture & Recreation	492,961
Total depreciation expense – governmental activities	<u>\$ 5,811,089</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 298,679
Solid Waste – land disposal sites	824,730
Salisbury – Ocean City: Wicomico Regional Airport	3,621,491
Nursing Home	160,713
Urban Services	11,887
Convention & Visitors Bureau	39,513
Civic Center	560,201
Total depreciation expense – business-type activities	<u>\$ 5,517,214</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 4,079,740	\$	\$	\$	\$ 4,079,740
Construction in progress	48,473,622	22,613,640		(4,874,358)	66,212,904
Total capital assets not being depreciated	52,553,362	22,613,640		(4,874,358)	70,292,644
Capital assets being depreciated					
Buildings and improvements	264,328,463	215,051		4,529,917	269,073,431
Furniture and equipment	36,088,513	1,999,484	(50,856)	344,441	38,381,582
Vehicles	1,990,061	563,988	(67,185)		2,486,864
Total capital assets being depreciated	302,407,037	2,778,523	(118,041)	4,874,358	309,941,877
Total capital assets	\$ 354,960,399	\$ 25,392,163	\$ (118,041)	\$	\$ 380,234,521
Less accumulated depreciation					
Buildings and improvements	(77,267,443)	(6,198,353)			(83,465,796)
Furniture and equipment	(25,503,148)	(3,118,319)	47,523		(28,573,944)
Vehicles	(1,249,507)	(194,033)	66,167		(1,377,373)
Total accumulated depreciation	(104,020,098)	(9,510,705)	113,690		(113,417,113)
Total capital assets, being depreciated, net	198,386,939	(6,732,182)	(4,351)	4,874,358	196,524,764
Governmental activities capital assets, net	\$ 250,940,301	\$ 15,881,458	\$ (4,351)	\$	\$ 266,817,408
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 2,069,303	\$ 151,251	\$	\$	\$ 2,220,554
Accumulated depreciation	(1,739,867)	(50,355)			(1,790,222)
Business-type activities capital assets, net	\$ 329,436	\$ 100,896	\$	\$	\$ 430,332

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 99,335
Instructional Services	8,553,293
Special Education	44,571
Student Personnel Services	13,738
Health Services	7,180
Student transportation	147,674
Operation of plant and equipment	590,306
Maintenance of plant	48,681
Community Services	<u>5,927</u>
Total governmental depreciation expense	<u>9,510,705</u>

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

Food service	<u>50,355</u>
Total business-type depreciation expense	<u>50,355</u>
Total depreciation expense	<u>\$ 9,561,060</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

CAPITAL ASSETS (Continued)

Wicomico County Free Library

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets not being depreciated				
Land	\$ 80,820	\$	\$	\$ 80,820
Capital assets being depreciated				
Buildings and improvements	2,547,903			2,547,903
Machinery, office furniture and equipment	1,360,482	14,908		1,375,390
Vehicles – bookmobile	178,634			178,634
Library collections	1,509,154	195,913	(261,664)	1,443,403
Total capital assets being depreciated	5,596,173	210,821	(261,664)	5,545,330
Total capital assets	5,676,993	210,821	(261,664)	5,626,150
Accumulated depreciation and amortization	(4,113,953)	(305,219)	261,664	(4,157,508)
Governmental activities capital assets, net	\$ 1,563,040	\$ (94,398)	\$	\$ 1,468,642

Depreciation and amortization expense of \$305,219 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

INTER-FUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

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

During the year ended June 30, 1981, the General Fund advanced \$75,000 to the Urban Services Fund. The loan required annual payments of interest at 10%. This advance was repaid to the general fund in fiscal year 2015.

During the year ended June 30, 2005, the Convention & Visitors Bureau fund advanced \$214,965 to the Civic Center. The loan requires annual payments of principal and interest of \$19,334. Interest is at 4%. The loan matures June 30, 2020. The balance of the advance as of June 30, 2015 is \$108,690.

During the year ended June 30, 2015, the General Fund advanced \$1,000,000 to the Urban Services Fund. The loan required annual payments of interest only at 2.5%. Interest accrued for the year ended June 30, 2015 was \$16,859. This advance is due to be paid back on November 1, 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 inter-fund 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	Nursing Home	<u>\$ 297,662</u>

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	<u>\$ 4,907,700</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

INTER-FUND TRANSACTIONS

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 services 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.

A summary of interfund transfers follows:

	General Fund	Grants	Capital Projects	Recreation	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
General Fund	\$	\$ 72,343	\$ 2,024,100	\$ 2,095,666	\$	\$ 627,119	\$ 537,094	\$ 5,356,322
Grants	(72,343)		(182,543)		(8,435)		(2,000,000)	(2,263,321)
Capital Projects	(2,024,100)	182,543		16,384		43,295		(1,781,878)
Recreation	(2,095,666)		(16,384)		(78,092)	41,212		(2,148,930)
Convention & Visitors Bureau		8,435		78,092		33,380		119,907
Civic Center	(627,119)		(43,295)	(41,212)	(33,380)			(745,006)
Other Enterprise Funds	(537,094)	2,000,000						1,462,906
Total	\$ (5,356,322)	\$ 2,263,321	\$ 1,781,878	\$ 2,148,930	\$ (119,907)	\$ 745,006	\$ (1,462,906)	\$

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

General obligation bonds have been issued for both general government and enterprise activities. These bonds are reported in the enterprise funds if they are expected to be paid from enterprise fund revenues. The original amount of general obligation bonds issued in prior and current years that remain outstanding as of June 30, 2015 was \$170,839,000. The original amount of general obligation bonds after refunding that remain outstanding as of June 30, 2015 was \$152,454,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15 – 25 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 limit for the fiscal year ending June 30, 2015 was \$213,263,104. The remaining debt authority after considering various debt obligations of \$107,332,997 was \$105,930,107: 50% of the debt capacity remains available.

As shown on the combined statement of net position, total debt of the primary government including all blended component units is \$111,027,018. 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 working capital of that facility. Therefore, the amount of that indebtedness, or \$50,223, is removed from total primary government debt and is also excluded from the County's limitation on bonded debt.

On December 30, 2014, the County issued \$10,930,000 in General Obligation Bonds with an average interest rate of 3.71 percent to fund a school project for the Board of Education of Wicomico County, certain projects for the Solid Waste Enterprise Fund, the purchase of the State's Attorney building, the A.W. Perdue Stadium restoration/modernization projects, and to fund a contingency.

On November 26, 2013 the County issued a \$13,999,000 Bond to PNC Bank, National Association for the purpose of advance refunding the County's outstanding Public Improvement Bonds of 2008 that mature on December 1 in the years 2020-2033, inclusive, which were currently outstanding in the aggregate principal amount of \$11,270,000 (the Refunded Bonds) and paying the costs of issuance of the Bond. The Refunding Bond bears an annual interest rate of 2.94%, calculated on a 30/360 basis, subject to adjustment in the circumstances provided for in the Refunding Bond. On November 15, 2023, PNC Bank will have the option to reset the annual interest rate on the Refunding Bond for the then-remaining term. The County did not refund the 2008 Bonds that were maturing on December 1 in the years 2013 through 2019, inclusive. The 2008 Bonds were originally issued in the aggregate principal amount of \$20,170,000 on December 23, 2008. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,664,251. This difference, reported in the accompanying financial statements as a deferred charge in refunding, is being charged to operations through the year 2033 using the straight-line method. The County completed the advance refunding to reduce its total debt service payments over the next 21 years by \$850,570 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$793,323.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2015:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	1.0-6.12%	\$ 100,776,572	\$ 9,930,000	\$ (8,946,938)	\$ 101,759,634	\$ 8,708,485
Add issuance premiums		3,663,406	610,252	(250,422)	4,023,236	
Total bonds payable		104,439,978	10,540,252	(9,197,360)	105,782,870	8,708,485
Capital lease obligations	*	2,972,129		(226,699)	2,745,430	234,528
Governmental activity long-term liabilities, primary government		107,412,107	10,540,252	(9,424,059)	108,528,300	8,943,013
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.5-3.9%	377,958	1,000,000	(104,773)	1,273,185	79,656
Add issuance premiums		23,577		(2,504)	21,073	
Total bonds payable		401,535	1,000,000	(107,277)	1,294,258	79,656
Other loans payable						
Maryland DBED loan	3.00%	341,158		(85,289)	255,869	85,290
Maryland DHMH loan	0.00%	53,180		(2,957)	50,223	50,223
Other loans payable		394,338		(88,246)	306,092	135,513
Total bonds and loans payable		795,873	1,000,000	(195,523)	1,600,350	215,169
Capital lease obligations	*	1,200,738		(302,370)	898,368	149,533
Business-type activity long-term liabilities, primary government		1,996,611	1,000,000	(497,893)	2,498,718	364,702
Less: Nursing Home		(53,180)		2,957	(50,223)	(50,223)
Business-type activity long-term liabilities, primary government		1,943,431	1,000,000	(494,936)	2,448,495	314,479
Total debt, primary government		109,355,538	11,540,252	(9,918,995)	110,976,795	9,257,492
* Debt not subject to limitation		(4,172,867)		529,069	(3,643,798)	(384,061)
Debt subject to limitation		\$ 105,182,671	\$ 11,540,252	\$ (9,389,926)	\$ 107,332,997	\$ 8,873,431

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 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>
2016	\$ 8,708,485	\$ 3,522,282	\$ 79,652	\$ 42,872
2017	9,074,240	3,203,356	83,443	40,339
2018	8,790,356	2,879,186	85,644	37,715
2019	8,280,220	2,555,325	81,780	34,890
2020	7,736,466	2,241,125	77,534	32,024
2021-2025	25,224,341	7,638,030	232,659	124,863
2026-2030	17,204,233	4,291,667	221,767	79,679
2031-2035	14,764,685	1,463,168	212,315	47,283
2036-2040	1,976,608	170,247	198,391	16,029
Total debt service requirements	\$ 101,759,634	\$ 27,964,386	\$ 1,273,185	\$ 455,694

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

<u>Year</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	85,291	7,676
2017	85,289	5,117
2018	85,289	2,558
Total debt service requirements	\$ 255,869	\$ 15,351

The Maryland DBED loan (above) has a forgiveness clause, the conditions of which must be met on December 31 of each year and reported by January 15 of each year. If the conditions are met, 1/5 of the loan is forgiven. If the conditions are not met, 1/5 of the loan must be repaid with interest on April 1st. One fifth of the principal is \$85,290. The loan was initiated in fiscal year 2014 with a total principal amount of \$426,448. The conditions of the forgiveness clause were met for fiscal year 2015, so there was no payment of principal or interest required in fiscal year 2015.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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.

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

The County entered into a lease agreement with Grant Capital Management, Inc. during the year ended June 30, 2012 to fund the design and construction work of the energy efficient upgrades. The lease is payable in biannual payments of \$211,974 beginning July 2013 and bears interest at 3.4%. The balance of the lease as of June 30, 2015 is \$3,564,337.

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Primary Government	
	Governmental Activities	Business-type Activities
2016	\$ 326,546	\$ 177,400
2017	326,546	97,402
2018	326,546	97,402
2019	326,546	97,402
2020	326,546	97,402
2021-2026	1,632,725	487,009
	3,265,455	1,054,017
Amounts representing Present value of future minimum lease payments	(520,025)	(155,649)
	<u>\$ 2,745,430</u>	<u>\$ 898,368</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 2,600,702	\$ 1,277,114	\$ 1,639,287	\$ 2,238,529	\$ 1,158,010

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

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computers, software and vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest expense related to the capital leases below, with interest rates ranging from 0.94% to 1.29%, was approximately \$30,000 for the year ended June 30, 2015.

Approximate future minimum lease commitments are as follows:

Governmental activities:

	Year Ending June 30	Board of Education
	2016	\$ 1,181,739
	2017	770,739
	2018	324,489
		2,276,967
Amounts representing interest		(38,438)
Present value of future minimum lease payments		\$ 2,238,529

Business-type activities:

	Year Ending June 30	Board of Education
	2016	\$ 23,111
	2017	23,111
	2018	23,111
		69,333
Amounts representing interest		(1,484)
Present value of future minimum lease payments		\$ 67,849

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 2002. The agreement was amended in June of 2011. The agreement was originally effective through the period ended August 31, 2004 and is currently extended on an annual basis. The purpose of this consortium is to reduce administrative expenses. Each entity has its premium rates adjusted based on its experience and benefits. Each year the health care provider produces an annual settlement for all entities. If there is an experience loss, funding will come from the entities based on their individual experience. Settlement among the group will occur within four months after August 31st each year. Each entity agreed to fund a rate stabilization reserve (RSR). The reserve is fully funded when the balance is equal to 8% of the average total annual premium payments for the past three years.

The accumulated balance that exceeds 14% of the annual premium for the prior year may be withdrawn from the reserve.

For the year ended June 30, 2015, the health care insurance reserve had the following activity:

Balance at July 1, 2014		\$ 1,210,276
Interest earned (net of expenditures)		591
County share of health rate rebates		<u>371,246</u>
Balance of reserve June 30, 2015 before cap computation		\$ 1,582,113
Health care premium paid through 8/31/14	\$ 9,337,188	
Maximum required reserve balance equals 14% prior year premium	\$ 1,307,206	
Excess health care reserve balance transferred to Unassigned Fund Balance		<u>(274,907)</u>
Rate stabilization reserve balance at June 30, 2015		<u>\$ 1,307,206</u>

The balance in the reserve fund after interest and cost/rebates is compared to the maximum level required under the agreement (14% of prior year's annual premium). The excess of \$274,907 was transferred to the County's unassigned fund balance leaving the Health Care Rate Stabilization balance funded at 14% of prior year annual premium cost. The size of the excess this year reflects the fact that the RSR has retained more funds than required in prior fiscal years. The table below shows the computation of full funding.

<u>Health Care</u> <u>Period Ending</u>	<u>Premium Paid</u>	<u>Full</u> <u>Funding Amount</u>
August 31, 2014	\$9,337,188	\$709,636
August 31, 2013	\$8,644,828	
August 31, 2012	\$8,629,323	

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

HEALTH INSURANCE RESERVES (Continued)

The consortium’s contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 8% 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, 2014, the County's total share of the consortium’s settlement was a surplus of \$371,246. The RSR for the health care plan is maintained within the general fund.

Board of Education of Wicomico County

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

For the year ended June 30, 2015, the health care insurance reserve had the following activity:

Balance at July 1, 2014	\$	5,723,272
Subsidy for rate increase		(1,180,000)
Insurance settlement – 2014		(74,505)
Interest earned		2,404
Consulting and other expenditures		(56,913)
		(56,913)
Balance at June 30, 2015	\$	4,414,258

The consortium’s contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2014, the Board’s share of the consortium’s settlement was a deficit of \$74,505. These amounts were included as other financing sources (uses) during the year ended June 30, 2015.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

OTHER LIABILITIES TO GOVERNMENTAL AGENCIES

In December, 2001, the Wicomico County Urban Services Commission and Wicomico County entered into an agreement with the City of Fruitland for the purpose of providing water and/or sewer services to areas designated as the service area for the City of Fruitland in the “Wicomico County Comprehensive Water and Sewer Plan”. Under this agreement, the City of Fruitland agrees to construct and maintain all lines and charge 150% of their current City rate for services, with 2% of the gross revenue being remitted to the Commission by the City. As of June 30, 2015 there were no charges for services under this agreement. As part of the agreement, the County paid the City of Fruitland \$1,800,000 for expansion and upgrade of the City’s existing water treatment and wastewater treatment plant and contracted to pay the City an amount equal to a portion of the City’s debt on these facilities at the time of the contract, or \$1,678,234 plus interest. This payment will be made, in installments, over the existing life of the current loans. Total payment in the current year for principal and interest was \$105,304. The total balance due as of June 30, 2015 was \$289,839, with the short-term portion being \$91,947.

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2015, there is no potential liability to be paid to the federal government during fiscal year 2015, based on interest rates and disbursement of bond proceeds. The County has \$108,951 in arbitrage reserve to cover potential liabilities.

ACCRUED COMPENSATED ABSENCES

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

ACCRUED COMPENSATED ABSENCES (Continued)

Changes in accrued compensated absences for the year ended June 30, 2015 are as follows:

	June 30, 2014	Increase (Decrease)	June 30, 2015
Primary government:			
Governmental activities	\$ 3,632,717	\$ (180,293)	\$ 3,452,424
Business-type activities	389,399	(870)	388,529
Total primary government	\$ 4,022,116	\$ (181,163)	\$ 3,840,953
	June 30, 2014	Increase (Decrease)	June 30, 2015
Component units:			
Board of Education of Wicomico Co.	\$ 2,942,784	\$ (246,889)	\$ 2,695,895
Wicomico County Free Library	137,119	(2,835)	134,284
Total component units	\$ 3,079,903	\$ (249,724)	\$ 2,830,179

PENSION AND RETIREMENT PLANS

Retirement plans for the employees of Wicomico County, Maryland

General plan

Plan description

The County, through the authority of the County Council, provides pension, death, disability 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. The plan does not issue separate financial statements. The plan's financial information is included in the fiduciary fund financial statements and includes realized and unrealized gains and losses on investments.

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. Death benefits equal the return of employee contribution. If married with five years of service, pre-retirement survivor annuity is provided.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

General plan (continued)

Plan description (continued)

Membership in the pension plan is comprised of the following at July 1, 2014, the latest actuarial valuation date.

Active eligible	638
Terminated with vested	47
Retired	185
	870

Funding policy

The contribution requirements of plan members and the County are established and may be amended by the County. Eligible employees are required to participate in the County Plan as a condition of their employment and to make contributions amounting to 5.625% of earnings. A participant is 100% vested after five years of service. The County is required to contribute an actuarially determined amount that is designed to accommodate sufficient assets to pay benefits when due. The County's average contribution rate was 9.38% of the covered payroll.

Investments

The investment policy is established by the Board of Trustees. The policy of the Trustees is to pursue an investment strategy that reduces risk through the prudent diversifications of assets. With the exception of cash, the Committee requires a diversification of investments, which are reported at fair value which is quoted market price. The following is the asset allocation as of June 30, 2015:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	38%
Equities	56%
Cash	6%

The approximate annual money-weighted rate of return on pension plan investments for the year ended June 30, 2015 net of pension plan investment expense was 0.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

General plan (continued)

Net pension liability

The components of the net pension liability of the County at June 30, 2015 were as follows (as calculated under GASB 67):

Total pension liability	\$	69,292,852
Plan fiduciary net position		62,696,632
Net pension liability	\$	6,596,220
Plan fiduciary net position adjusted as a percentage of the total pension liability		90.48%

The amount shown above as the "total pension liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial accrued liability under the entry age normal actuarial cost method determined by an actuarial valuation as of June 30, 2015. Significant actuarial assumptions used in determining the pension benefit obligation include the RP-2000 Generational Mortality table, an assumed rate of return of 7.75% and salary increases of 2.5% per year.

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Pension's Plan target asset allocation as of June 30, 2015 are summarized in the following table.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

General plan (continued)

Net pension liability (continued)

Asset Class	Target Allocations	Long-Term Historical Returns	Building Blocks Range of Expected Returns
Fixed Income	30.00% - 40.00%	4.00% - 6.00%	1.2% - 2.40%
Equities	50.00% - 60.00%	10.00% - 12.00%	5.00% - 7.20%
Other	0.00% - 10.00%	0.00% - 2.00%	0.00% - 0.20%
			6.20% - 9.80%

Rate selected: 7.75%

Based on the current Investment Policy and Funding Policy, the Plan is projected to not deplete; therefore, the same rate of 7.75% is used for both the discount rate and the long-term rate of expected investment returns.

Discount rate – The discount rate used to measure the total pension liability was the long-term expected rate-of-return assumption of 7.75%. The projection of cash flows used to determine the discount rate assumes that the County will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and no municipal bond rate was utilized.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the Plan's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$15,169,402	\$6,596,220	\$1,850,735

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

General plan (continued)

Net pension liability (continued)

Change in pension liability, fiduciary net position and net pension liability

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at June 30, 2014 - as restated	\$ 64,414,837	\$ 60,957,856	\$ 3,456,981
Changes for the year:			
Service cost	\$ 2,377,128	\$	\$ 2,377,128
Interest	4,863,156		4,863,156
Liability experience (gain)/loss			
Employer contributions		3,415,534	(3,415,534)
Net employee contributions		1,637,983	(1,637,983)
Net investment income		77,598	(77,598)
Benefit payments	(3,328,886)	(3,328,886)	
Administrative expense		(63,453)	63,453
Plan changes	966,617		966,617
Net changes	<u>\$ 4,878,015</u>	<u>\$ 1,738,776</u>	<u>\$ 3,139,239</u>
Balance at June 30, 2015	<u>\$ 69,292,852</u>	<u>\$ 62,696,632</u>	<u>\$ 6,596,220</u>

In fiscal year 2015 and effective July 1, 2014, the County amended the plan to provide accidental disability benefits to employees of the Sheriff's department and contributed the initial funding of \$966,617. In addition, the total pension benefit at June 30, 2014 was recalculated by the actuary and increased \$8,380,158 as of that date.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

Cost sharing plan

General information about the pension plan

Plan description

Certain employees of the County are covered by the Pension System for Employees of the State of Maryland or the Employees' Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (MSRPS), and are cost-sharing multiple-employer public employee retirement systems. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 12-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the MSRPS. This report can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2014.pdf.

Benefits provided.

The MSRPS provides retirement, disability and death benefits. Retirement allowances for members of the County are based on the highest five consecutive years average Annual Compensation (AFC) and the actual years of accumulated credited services. Employees of the County may retire with reduced benefits after attaining age 60 with at least 15 years of eligible service. Permanent disability benefits are available after five years of service and approximate 25% of AFC. Death benefits are equal to employee salary at the time of death plus all member contributions and interest.

Contributions.

The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. The County is required to contribute at an actuarially determined rate. Contributions to the plan from the County for the past three years were as follows:

Fiscal Year Ending	Pension Cost	Percentage Funded
6/30/2013	\$ 41,667	100%
6/30/2014	\$ 43,750	100%
6/30/2015	\$ 50,550	100%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

Cost sharing plan (continued)

General information about the pension plan (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the County reported a liability of \$368,298 for its proportional share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2014, the County's proportion was 0.002075%.

For the year ended June 30, 2015, the County recognized pension expense of \$50,286. At June 30, 2015, the County reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,820	\$
Net difference between projected and actual earnings on pension plan investments		39,804
Contributions subsequent to measurement date	50,550	
	\$ 55,370	\$ 39,804

The County's contribution subsequent to the measurement date of \$50,550, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be amortized over five years and recognized in pension expense at (\$8,745) per year through June 30, 2019.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

Cost sharing plan (continued)

General information about the pension plan (continued)

Actuarial assumptions

The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2014 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.90% general, 3.4% wage
Salary increases	3.4% to 11.9%, including inflation
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Mortality table projected to the year 2025.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and 67 of the Governmental Accounting Standards Board (GASB).

Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The actuary performed an experience study of MSRPS for the period 2006-2010 after completion of the June 30, 2010 valuations. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for first use in the actuarial valuation as of June 30, 2012. The Board adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% inflation assumption are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Retirement plans for the employees of Wicomico County, Maryland (continued)

Cost sharing plan (continued)

General information about the pension plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability	\$530,764	\$368,298	\$232,212

Pension plan fiduciary net position

Detailed information about the plan's fiduciary net position is available in the System's separately issued financial report.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Teachers' Retirement System and the Teachers' Pension System

Plan description

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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.

General plan policies

Teachers and related occupations are covered by the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. Except for restricted programs as described below, the State pays virtually all the employer's annual contribution. Total contributions paid by the State to the Plan for the year ended June 30, 2015 were \$12,071,377. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. The Board has no contingent liability for funding deficits in the system should such occur.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

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

General plan policies (continued)

In addition to the above contribution, during fiscal year 2015, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher. As contractually required, during fiscal year 2015, the Board contributed \$3,524,616 to the Teachers' Retirement and Pension System, or 85% of the normal cost.

Significant plan benefits and policies

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

Teachers' Retirement System

A. Retirement Benefits

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e., average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

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, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

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

Significant plan benefits and policies (continued)

Teachers' Retirement System (continued)

C. Employee and Employer Contributions

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

The State of Maryland contributed \$12,071,377 on behalf of the Board while the Board contributed \$3,524,616 during fiscal year 2015 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Teachers' Pension System

A. Retirement Benefits

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

B. Vested Allowance

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

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

Significant plan benefits and policies (continued)

Teachers' Pension System (continued)

C. Employee and Employer Contributions

Effective July 1, 2011, members of the Teachers' Pension System are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2015. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

The State of Maryland contributed \$12,071,377 on behalf of the Board while the Board contributed \$3,524,616 during fiscal year 2015 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Employer's payroll covered under the plan

The employer's payroll for the year ended June 30, 2015 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 115,826,167
Payroll covered under the plan	\$ 95,262,765

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, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

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

Pension liabilities and pension expense

Because the State of Maryland pays the unfunded liability for the Teachers' Retirement and Pension Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. Total pension expense related to the Teachers' Systems totaled \$3,524,616 for the year ended June 30, 2015, the Board's required portion of the normal cost.

The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2015
Board's proportionate share of the net pension liability (Employees' Systems)	\$ -
State's proportionate share of the net pension liability (Teachers' Systems)	87,166,955
Total	<u>\$ 87,166,955</u>

Additional information, including actuarial assumptions, investment allocation, rate of returns, discount rate, sensitivity measures, and ten year historical trends, can be obtained from the separately issued State Retirement and Pension System of Maryland Annual Financial Report. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

Retirement plans for employees of the Board of Education of Wicomico County

General plan policies

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Retirement plans for employees of the Board of Education of Wicomico County (continued)

General plan policies (continued)

The Plan's financial statements, as reported in the Schedule of Fiduciary Net Position, are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the Board of Education has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 52% equities, 6% cash and cash equivalents, and 42% fixed income securities on a cost basis valued at year end.

The annual contribution to the plan will be determined by the Wicomico County Board of Education as part of its annual budget. The contribution must be deposited monthly and the funding goal will be the greater of the following:

- 1.) The level contribution required to fund all current and future benefits promised to current plan participants over the next 20 years, or
- 2.) 7.00% of the salaries of eligible Plan participants

A Board of Trustees (Trustees) was established to oversee the implementation of and adherence to the Investment Policy and to oversee the Investment Manager. The Trustees will oversee the general investment philosophy; provide oversight of the Investment Manager; and inform the Employers, or designees of the Employers, of the plan performance on a quarterly basis. Compliance with the Trust Agreement will be required.

Significant plan benefits and policies

The specific benefit provisions of the Board of Education's plan were established by the adoption of the plan document. The plan provides for benefits upon retirement, death, disablement and termination of employment, if certain eligibility conditions are met.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Retirement plans for the employees of the Board of Education of Wicomico County (continued)

Significant plan benefits and policies (continued)

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

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

Employer's payroll covered under the plan

The employee's payroll for the year ended June 30, 2015 and payroll covered under the Plan is as follows:

Total payroll	\$ 115,826,167
Payroll covered under the plans	\$ 9,616,697

Plan membership at July 1, 2014, the date of the latest actuarial valuation, consisted of 315 active plan members, 156 retirees and beneficiaries, and 13 vested terminees.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Retirement plans for the employees of the Board of Education of Wicomico County (continued)

Pension liability and pension expense

The Board's total pension liability is an amount actuarially determined in accordance with the parameters of GASB Statement 67. The following table shows the components of the Board's total pension liability, fiduciary net position, and the resulting net pension liability as of June 30, 2015:

Total pension liability		
Service cost	\$	842,490
Interest		1,849,338
Benefit payments		(1,250,672)
Net change in total pension liability		1,441,156
Total pension liability - beginning, as restated		23,786,836
Total pension liability - ending (a)		25,227,992
Plan fiduciary net position		
Contribution - employer		722,205
Contribution - plan member		381,911
Net investment income		178,057
Benefit payments		(1,250,672)
Administrative expenses		(138,986)
Net change in plan fiduciary net position		(107,485)
Plan fiduciary net position - beginning, as restated		21,620,477
Plan fiduciary net position - ending (b)		21,512,992
Net pension liability (a - b)	\$	3,715,000

The Board's annual required contribution, actual employer contribution, and percentage of contribution are as follows:

Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
June 30,					
2014	569,976	705,355	(135,379)	9,186,822	7.68%
2015	595,796	722,205	(126,409)	9,616,697	7.51%

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Retirement plan for employees at the Board of Education of Wicomico County (continued)

Funding status and funding progress

As of the most recent actuarial valuation date, the plan was 85.3% funded. The total pension liability for benefits was \$25,227,992 and the plan fiduciary net position was \$21,512,992 resulting in a net pension liability of \$3,715,000. The covered payroll (annual payroll of active employees covered by the plan) was \$9,616,697 and the ratio of the net pension liability to the covered payroll was 38.6%.

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. Amounts determined regarding the funded status of the plan and the annual required contributions on the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of the employer's net pension liability, 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 total pension liability for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2015
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%
Mortality:	RP-2000 Mortality table (gender specific)
Retirement age:	Graded from ages 55-64; 100% at age 65

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

Retirement plan for employees at the Board of Education of Wicomico County (continued)

Funding status and funding progress (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-term Historical Returns</u>	<u>Building Blocks Range of Expected Returns</u>
Fixed Income	30.00% - 40.00%	4.00% - 6.00%	1.20% - 2.40%
Equities	50.00% - 60.00%	10.00% - 12.00%	5.00% - 7.20%
Other	0.00% - 10.00%	0.00% - 2.00%	0.00% - 0.20%
			6.20% - 9.80%
		Rate selected:	7.75%

Based on the current Investment Policy and Funding Policy, the Plan is projected not to deplete; therefore, the same rate of 7.75% is used for both the discount rate and the long-term rate of expected returns. The projection of cash flow to determine the discount rate assumed the contributions from plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following represents the net pension liability of the Board calculated using the discount rate of 7.75%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	6,877,401	3,715,000	1,998,343

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.08%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change amounts actually invested.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plans for the Board of Education of Wicomico County (continued)

401(a) retirement plan

Effective July 1, 2001, the Board implemented and began administering the Board of Education of Wicomico County 401(a) retirement plan which is a defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participant's contributions to the 403(b) plan. The Board has the right to amend the plan at any time according to the Plan document. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2015, the Board did not make a matching contribution to the plan.

Pension plan for the employees of the Wicomico County Free Library

General information about the pension plan

Plan description

All full-time personnel employed in a Library position participate in the Teachers' Retirement System (TRS) or the Teachers' Pension System (TPS) of the State of Maryland. All other eligible permanent employees excluded above are enrolled in the Maryland State Employees' Retirement System (ERS) or the Employees' Pension System (EPS). These systems are part of the Maryland State Retirement and Pension System (the System), and are cost-sharing multiple-employer public employee retirement systems.

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 System. This report can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2014.pdf.

Effective January 1, 1980, the TRS and ERS were effectively closed to new membership when the TPS and EPS were established. Individuals who were members of the TRS and ERS on December 31, 1979, continue their TRS and ERS membership unless, and until they elect to transfer to the TPS or ERS prior to January 1, 2015.

Benefits provided

The State System provides pension, death and disability benefits to plan members and beneficiaries. Members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligibility service regardless of age. Full service retirement allowances for participants equal 1/55 (1.818%) of the highest three years' average final compensation (AFC) multiplied by the number of years and months of accumulated creditable services.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plan for the employees of the Wicomico County Free Library (continued)

General information about the plan (continued)

Benefits provided (continued)

Employees of the Library may retire with reduced benefits after attaining age 60 with at least 25 years of eligible service. Permanent disability benefits are available after five years of eligibility service and generally equal 1/55 (1/818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service.

Death benefits are equal to employee salary at the time of death plus all member contributions and interest.

Contributions

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. On-behalf payments made by the State of Maryland for the year ending June 30, 2015 were \$206,308.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflow of resources related to pensions

Because the State of Maryland pays the unfunded liability for the pension, the Library is not required to record their share of the unfunded pension liability, pension expense, or outflows and inflows of resources. Instead, that liability and information will be reported by the State of Maryland.

Actuarial assumptions

The actuarial assumptions for the Plan as a whole, based on the June 30, 2014 annual actuarial valuation report are as follows:

Inflation	2.90%
Salary increases	3.40%
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Mortality table projected to the year 2025.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and 67 of the Governmental Accounting Standards Board (GASB).

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PENSION AND RETIREMENT PLANS (Continued)

Pension plan for the employees of the Wicomico County Free Library (continued)

General information about the plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

Pension plan fiduciary net position

Detailed information about the plan's fiduciary net position is available in the System's separately issued financial report.

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 2014 contributions, which was \$104,820. This match was expensed during fiscal year ended June 30, 2015. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred amounts are invested in various annuity contracts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the deferred compensation plan participants. The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the statement of net position of the County.

DEATH BENEFITS

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

POST-RETIREMENT HEALTH CARE BENEFITS

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”). Effective June 30, 2009, the City of Salisbury joined the trust. A Board of Trustees (“the Board”) oversees the trust. The Plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the 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 the performance should be directed to the plan Administrator.

Post-retirement health care benefits plan for the employees of Wicomico County, Maryland

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 at least ten years of service with the County (public safety employees are eligible at age 60 with nine years of service). The post-retirement health care benefit is also offered to all employees who are eligible for post-retirement health care benefits even if they are not in a County or State pension system. The employee may retire and retain their health insurance coverage while paying the same percentage of contract cost as while employed which as of June 30, 2015 was 16% of employee cost and 25% of dependant coverage.

Funding policy

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

Since the implementation of GASB 45 the County has continued to pay current retiree medical payments from the General Fund and make contributions to the trust. The mid-term plan is to transition payment of retiree healthcare payments from the General Fund to the Trust Fund in fiscal year 2017. The trust fund contribution will be increased in that year by the amount that would have been paid out directly. Trust contributions will be set such that the ratio of assets to unfunded AAL reaches 89% funding level by 2028 assuming a 5% return on trust investments.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-retirement health care benefits plan for the employees of Wicomico County, Maryland (continued)

Annual OPEB cost and net OPEB obligation (asset)

The County's OPEB cost (expense) is the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the years, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation. The annual OPEB Cost and Net OPEB Obligation (Asset) is determined on the basis of annual contributions.

	2013	2014	2015
Annual Required Contribution	\$ 2,871,000	\$ 2,883,000	\$ 3,276,000
Interest on Net OPEB Obligation (Asset)	102,688	43,944	(20,137)
Adjustment to Annual Required Contribution	(110,500)	(47,300)	21,700
Annual OPEB Cost	2,863,188	2,879,644	3,277,563
Direct Cost and Contributions	(3,646,439)	(3,734,064)	(4,739,537)
Increase/(Decrease) in Net Obligation	(783,251)	(854,420)	(1,461,974)
Net OPEB Obligation (Asset), beginning of year	1,369,177	585,926	(268,494)
Net OPEB Obligation (Asset), end of year	\$ 585,926	\$ (268,494)	\$ (1,730,468)

Schedule of funding progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three years ending June 30, 2015 were as follows.

Fiscal Year Ending	Annual OPEB Cost	Total Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)/Liability
June 30, 2013	2,863,188	3,646,440	127.40%	585,926
June 30, 2014	2,879,644	3,734,064	129.67%	(268,494)
June 30, 2015	3,277,563	4,739,537	144.60%	(1,730,468)

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-retirement health care benefits plan for the employees of Wicomico County, Maryland (continued)

Schedule of funding progress (continued)

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

Post-retirement health care benefits plan for employees at the Board of Education of Wicomico County

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

Beginning in 2010, the Board funded 70% of the individual health care insurance costs for retirees who were qualified to retire on or after July 17, 2007 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. The Board previously funded 55% of the individual health care insurance costs for eligible retirees who had accumulated at least 15 years of service with the Board prior to retirement (before July 17, 2007). Approximately 730 retirees who have worked for at least five years are eligible to participate in the post-retirement benefit program.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-retirement health care benefits plan for employees at the Board of Education of Wicomico County (continued)

Funding policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$3.89 million, including approximately \$3.16 million for current claim costs (approximately 70% of total premiums); an additional \$609 thousand to pre-fund benefits and an estimated retiree subsidy of \$121 thousand. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$203 per month for retirees-only coverage (if under 65), \$142 per month for retirees-only coverage (if 65 or older) and \$1,091 for retiree and spouse coverage. These monthly premium costs are for PPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB cost and net OPEB obligation (asset)

The Board's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Annual required contribution		\$ 4,153,343
Interest on net OPEB obligation		(159,727)
Adjustment to annual required contribution		<u>171,800</u>
Annual OPEB cost (expense)		4,165,416
Contributions made:		
Premium equivalency & retiree subsidy payments from General Fund	(3,276,986)	
Prefunding contribution	<u>(609,122)</u>	
Total contributions made		<u>(3,886,108)</u>
Net change in OPEB obligation (asset)		279,308
Net OPEB obligation (asset) - beginning of year		<u>(2,129,702)</u>
Net OPEB obligation (asset) - end of year		<u><u>\$ (1,850,394)</u></u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-retirement health care benefits plan for employees at the Board of Education of Wicomico County (continued)

Annual OPEB cost and net OPEB obligation (asset) (continued)

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2013	\$ 4,143,013	\$ 3,984,000	96.16%	\$ (2,304,291)
2014	4,062,589	3,888,000	95.70%	(2,129,702)
2015	4,165,416	3,886,108	93.29%	(1,850,394)

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

Funding status and funding progress

As of July 2014, the most recent actuarial valuation date, the plan was 22.8% funded. The actuarial accrued liability for benefits was \$62,766,537 and the actuarial value of assets was \$14,332,500 resulting in an unfunded actuarial accrued liability (UAAL) of \$48,434,037. The covered payroll (annual payroll of active employees covered by the plan) was \$107,382,505 and the ratio of UAAL to the covered payroll was 45.1%.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

In the July 2014 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Implicit in the investment return, salary scale and trend rate assumption is an underlying general rate of inflation assumption of 2.5%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014 was 30 years.

Wicomico County Free Library

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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. The County retained an engineering consulting firm to perform physical measurements on the existing open cells (cells 1 through 6) to determine current volumetric capacity remaining, construct engineering cost estimates for closure and post-closure maintenance of these cells, and estimate the future life expectancy of these cells. The table below identifies the current estimates of costs and service life and shows the computation of the annual accrual of liability for fiscal year 2015.

Closure cost		\$	5,627,017
Post-closure cost			5,023,386
Total estimated future cost			<u>10,650,403</u>
Accrued closure/post-closure cost as of June 30, 2014			<u>(7,975,668)</u>
Additional costs to be recognized over remaining life			2,674,735
Disposal life in years remaining as of July 1, 2014			<u>7</u>
Provision for closure/post-closure costs		\$	<u><u>382,105</u></u>

The disposal life assumes an historic average fill rate of 100,000 tons per year filling to the maximum permit height, with volumetric capacity based on current slope gradients. Additional capacity can be created if the side-slopes are regarded and/or new compaction/shredding technology is introduced. Cost estimates are based on current regulations and technology. In addition to having a general obligation bond rating of AA/Aa2/AA+ from Fitch, Moody's and Standard & Poor's credit rating services, the County has approximately \$16,554,869 of currently available cash which may be used for landfill closure and post closure costs.

OPERATING LEASES

The County is committed under a non-cancelable operating lease for the right to use the leased property (Clara Road Investments, Inc.) as a site for the disposal of dredge spoil produced by the dredging of the Wicomico River. The lease was established in July 2006 and modified in January 2012 to extend lease payments through the duration of the performance period and add a rent escalator clause based on the consumer price index as of December 15 of each year. The fiscal year 2015 payment was \$28,479. Subsequent fiscal year payments will be the \$28,479 escalated by the CPI-U rate as of December 15 of that fiscal year. The performance period is currently estimated to be through fiscal year 2018 when the dredge placement will have been completed and the site restored in accordance with the lease agreement.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

OPERATING LEASES (Continued)

States Attorney's Building Lease

In fiscal year 2014, the County entered into a fifteen year lease with three options for extension of 5 years each with an annual rent of \$297,375 escalated at 2% per year. The lease contained an option to purchase the building at a fixed price of \$3,934,500 which was exercised in fiscal year 2015.

NURSING HOME

The County owns and operates a 102-bed licensed nursing home in Salisbury. The facility is staffed by 127 full-time and part-time personnel. The occupancy rate was 90.68% for fiscal year 2015. The primary third-party reimbursement is from Medicaid. An expansion and renovation of the home was completed in 1999. Financing for the project was provided through a conventional bank loan secured by a mortgage on the facility. The balance on the mortgage was fully satisfied as of May 1, 2013. The County approved an operating budget of \$9,185,516 for fiscal year 2015. The County also approved a capital budget for fiscal year 2015 of \$54,400. The nursing home is self-supporting and receives no appropriation of County funds.

COMMITMENTS AND CONTINGENCIES

Wicomico County, Maryland

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

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

The Wicomico County Urban Services Commission continues to abide by an expired contract with the City of Salisbury to purchase water and sewer supplied to a district. The Wicomico County Urban Services Commission is required to charge this district 150% of the City's current rate and remit 80% of the billings to the City. Total collections for the year ended June 30, 2015 were \$538,713.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico County, Maryland (continued)

The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections for the districts for 2015 were \$40,637.

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.

The Office of the Attorney General, Department of the Environment issued a letter to the County on March 27, 2014 that raises the possibility of a Consent Agreement that would require the County to pay a civil penalty to resolve past and ongoing violations at the Solid Waste Landfill Facility. The County Executive and management met with the Maryland Department of Environment (MDE) and the fine was reduced from \$220,000 to \$45,000. The County has offered to do a project in lieu of paying the fine. The County is in the process of settling on a project agreement with MDE. The matter should be settled in fiscal year 2016.

The Maryland Department of the Environment (MDE), Water Supply Program issued two letters to the County dated August 6, 2014 and October 27, 2014, that raise the possibility of the County paying a civil penalty related to violations of the water appropriation and use permit for the Solid Waste Landfill Facility. If the penalties were imposed, the fine mentioned in the letters is \$5,000 per violation and each day the violation occurs is considered a separate violation. The August 14, 2014, letter alleges the County has been exceeding said permit allocation for five years. The County is in the preliminary phase of addressing this issue. The issue should be resolved in fiscal year 2016.

Wicomico Nursing Home

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$58,442,000. At June 30, 2015, \$55,070,000 had been expended on the renovation of Bennett Middle School related to these contracts.

The Board receives a substantial amount of its support from Federal, State, and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 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

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, and disability insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last five years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

RISK MANAGEMENT (Continued)

Wicomico Nursing Home

The Facility is exposed to various risks or loss related to torts; theft of, damage to, and destruction of assets; error and omissions; employee health and accident; and natural disasters. The Facility purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty, and liability protection concerning malpractice.

The Board of Education of Wicomico County

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

The Wicomico County Free Library

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are primarily mitigated by coverage from commercial insurance companies. The Library is essentially self-insured for purposes of funding unemployment claims, and earmarks a portion of the General Fund budget each year for potential claims.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

RISK MANAGEMENT (Continued)

The Wicomico County Free Library (continued)

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, 2015. Therefore, the Statement of Net Position contains no provision for, and it also does not present, estimated claims.

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

CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities and equipment deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues to be received in connection with the financing and from any other monies made available to the user for such purposes. Upon repayment of the bonds, ownership of the acquired facilities and equipment transfers to the private sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, neither conduit debt nor the related asset is reported. There were no conduit debt obligations outstanding as of June 30, 2015.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PRIOR PERIOD ADJUSTMENTS

Fund balances at June 30, 2014 have 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 balances at June 30, 2014 as previously reported	\$ 45,877,433	\$ 684,911	\$ 42,415,968	\$ 1,274,940	\$ 1,318,910	\$ 91,572,162
Reclassification of Roads Fund into General Fund	1,274,940			(1,274,940)		
Correction of Roads inventory reserve balance	88,773					88,773
Correction of revenue not reported in proper period	(40,861)					(40,861)
Correction of expenses not reported in proper period	142,720		51,458			194,178
Other adjustments	<u>2</u>	<u>11</u>	<u>(1)</u>		<u>(1)</u>	<u>11</u>
Fund balances at June 30, 2014 as restated	<u>\$ 47,343,007</u>	<u>\$ 684,922</u>	<u>\$ 42,467,425</u>	<u>\$</u>	<u>\$ 1,318,909</u>	<u>\$ 91,814,263</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PRIOR PERIOD ADJUSTMENTS (Continued)

Net position at June 30, 2014 has been restated for the enterprise funds as follows:

	Solid Waste	Airport	Nursing Home	Convention & Visitors Bureau	Youth & Civic Center	Urban Services & Other Funds	Total Enterprise Funds
Net position at June 30, 2014 as previously reported	\$ 13,847,530	\$ 43,190,524	\$ 3,134,773	\$ 1,263,974	\$ 11,415,806	\$ 1,902,554	\$ 74,755,161
Other adjustments	<u>13</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>(65)</u>	<u>(4)</u>	<u>(54)</u>
Net position at June 30, 2014 as restated	<u>\$ 13,847,543</u>	<u>\$ 43,190,525</u>	<u>\$ 3,134,773</u>	<u>\$ 1,263,975</u>	<u>\$ 11,415,741</u>	<u>\$ 1,902,550</u>	<u>\$ 74,755,107</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net position at June 30, 2014 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at June 30, 2014 as previously reported	\$ 67,593,732	\$ 74,755,161
Net changes to governmental funds (on page 97)	242,101	
Net changes to enterprise funds (on page 98)		(54)
Adjustment for net pension liability as required by GASB 68	(357,688)	
Correction to capital assets	<u>(50,055)</u>	<u> </u>
Net position at June 30, 2014 as restated	<u><u>\$ 67,428,090</u></u>	<u><u>\$ 74,755,107</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<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	\$ 62,651,923	\$ 62,651,923	\$ 62,719,687	\$ 67,764
Income taxes	39,561,266	39,561,266	46,070,753	6,509,487
Other taxes	3,717,131	3,717,131	3,903,593	186,462
Licenses and permits	1,259,260	1,259,260	1,332,569	73,309
Intergovernmental	10,967,814	11,082,131	9,490,507	(1,591,624)
Charges for services	4,167,124	5,708,524	5,229,112	(479,412)
Fines and forfeitures	85,850	85,850	73,092	(12,758)
Miscellaneous	390,983	396,284	890,870	494,586
Investment earnings	185,028	185,028	47,924	(137,104)
Total revenues	<u>122,986,379</u>	<u>124,647,397</u>	<u>129,758,107</u>	<u>5,110,710</u>
EXPENDITURES				
General government				
Legislative/council	<u>409,419</u>	<u>409,419</u>	<u>359,367</u>	<u>50,052</u>
Administrative/executive	<u>479,311</u>	<u>529,311</u>	<u>451,925</u>	<u>77,386</u>
Judicial				
Circuit Court	1,129,376	1,167,184	1,026,138	141,046
Orphans' Court	38,377	38,377	37,904	473
State's Attorney	2,659,515	2,659,516	2,524,296	135,220
Total judicial	<u>3,827,268</u>	<u>3,865,077</u>	<u>3,588,338</u>	<u>276,739</u>
Elections	<u>968,084</u>	<u>992,769</u>	<u>937,794</u>	<u>54,975</u>
Management information systems	<u>775,559</u>	<u>816,573</u>	<u>557,510</u>	<u>259,063</u>
Purchasing	<u>174,021</u>	<u>174,021</u>	<u>171,314</u>	<u>2,707</u>
Financial administration				
Finance	1,027,711	1,045,473	982,033	63,440
Public accountant	79,650	81,395	80,650	745
Total financial administration	<u>1,107,361</u>	<u>1,126,868</u>	<u>1,062,683</u>	<u>64,185</u>
Human resources	<u>444,614</u>	<u>444,731</u>	<u>417,748</u>	<u>26,983</u>
Legal	<u>346,710</u>	<u>428,642</u>	<u>428,642</u>	

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2015
(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	588,688	638,891	340,664	298,227
Planning and zoning	1,197,042	1,221,866	1,135,197	86,669
General services	1,008,433	1,076,037	1,084,786	(8,749)
Total general government	11,326,510	11,724,205	10,535,968	1,188,237
Public safety				
Sheriff's Department	7,482,721	7,762,959	7,697,002	65,957
Emergency Services	1,776,039	1,776,039	1,704,483	71,556
Fire Department	4,482,880	4,482,880	4,445,862	37,018
Liquor License Board	171,036	172,711	172,711	
Protection of Animals	303,069	303,069	303,069	
Total public safety	14,215,745	14,497,658	14,323,127	174,531
Detention Center	11,410,316	11,411,885	11,189,442	222,443
Public works				
Roads	8,058,880	9,558,880	9,035,293	523,587
Sanitation, water, and sewer	105,304	105,304	105,304	
Tri-County Council/Shore Transit	545,945	545,945	545,945	
Total public works	8,710,129	10,210,129	9,686,542	523,587
Health and welfare				
Public health	3,436,793	3,436,793	3,249,482	187,311
Mosquito control	145,354	145,354	108,668	36,686
Gypsy Moth control	1,500	1,500	1,500	
Total health and welfare	3,583,647	3,583,647	3,359,650	223,997
Social services	298,753	298,753	298,753	
Education				
Board of Education	40,396,119	40,396,119	40,396,119	
Wicomico County Free Library	1,158,338	1,158,338	1,158,338	
Community College - grant	4,063,970	4,063,970	4,063,970	
Extension Service	93,436	93,436	91,438	1,998
Total education	45,711,863	45,711,863	45,709,865	1,998

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2015
(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)				
Culture and recreation		194		194
Miscellaneous				
Social security	1,732,799	1,733,195	1,645,769	87,426
Grants and mandates	493,014	493,014	455,843	37,171
Funded retirement plan	3,327,156	3,327,156	2,193,740	1,133,416
OPEB	1,636,364	1,636,364	1,626,377	9,987
Provision for compensated absences			(68,511)	68,511
Hospitalization, disability and life	6,267,851	6,339,026	5,965,575	373,451
Unemployment compensation	16,825	20,104	17,939	2,165
Workers' compensation	522,809	551,437	455,067	96,370
Liability and arbitrage insurance	560,000	573,782	566,853	6,929
Other fringes	112,090	112,090	126,052	(13,962)
Total miscellaneous	14,668,908	14,786,168	12,984,704	1,801,464
Debt service				
Principal	8,946,939	8,946,939	8,946,939	
Interest	4,020,358	4,020,358	3,740,351	280,007
Agent fees	40,001	40,001	34,530	5,471
Total debt service	13,007,298	13,007,298	12,721,820	285,478
Total expenditures	122,933,169	125,231,800	120,809,871	4,421,929
Excess (deficiency) of revenues over (under) expenditures	53,210	(584,403)	8,948,236	9,532,639
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,044,228)	(5,069,228)	(5,356,322)	(287,094)
Appropriations of fund equity	5,747,429	6,074,794		(6,074,794)
Other uses	(756,411)	(421,163)		421,163
Total other financing uses	(53,210)	584,403	(5,356,322)	(5,940,725)
Net change in fund balances	\$	\$	\$ 3,591,914	\$ 3,591,914

**WICOMICO COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN**

(UNAUDITED)

Other Post-Employment Benefit Plan

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
7/1/2009	\$ 5,118,475	\$ 26,447,400	\$ 21,328,925	19.35%	\$ 32,722,462	65.18%
7/1/2010	5,969,103	27,088,329	21,119,226	22.04%	29,999,269	70.40%
7/1/2011	7,264,824	29,012,511	21,747,687	25.04%	28,707,791	75.76%
7/1/2012	7,168,320	30,556,661	23,388,341	23.46%	28,101,831	83.23%
7/1/2013	9,933,143	32,765,898	22,832,755	30.32%	28,438,179	80.29%
7/1/2014	13,397,560	31,362,632	17,965,072	42.72%	29,451,654	61.00%
7/1/2015	16,053,085	35,105,877	19,052,792	45.73%	29,755,794	64.03%

WICOMICO COUNTY, MARYLAND
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY
AND RELATED RATIOS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

	2015	2014*
Total pension liability		
Service Cost	\$ 2,377,128	\$ 3,614,700
Interest	4,863,156	210,875
Changes in benefit terms	966,617	
Benefit payments	(3,328,886)	(3,094,562)
Net change in total pension liability	4,878,015	731,013
Total pension liability - beginning	56,034,679	55,303,666
Total pension liability adjustment	8,380,158	
Total pension liability - ending	\$ 69,292,852	\$ 56,034,679
 Plan fiduciary net pension		
Contributions-county	\$ 3,415,534	\$ 4,145,167
Contributions-member	1,637,983	1,531,736
Net investment income	77,598	7,477,034
Benefit payments, including refunds of employee contributions	(3,328,886)	(3,094,562)
Administrative expense	(63,453)	(240,499)
Net change in plan fiduciary net position	1,738,776	9,818,876
Plan fiduciary net position - beginning	60,957,856	51,138,980
Plan fiduciary net position - ending	62,696,632	60,957,856
Plan's net pension liability (asset) - ending	\$ 6,596,220	\$ (4,923,177)
 Plan fiduciary net position as a percentage of the total pension liability	90.48%	108.79%
 Covered-employee payroll	\$ 27,339,769	\$ 27,309,515
Net pension liability (asset) as a percentage of covered-employee payroll	24.13%	(18.03%)

Notes to Schedule:

The total pension benefit at June 30, 2014 was recalculated by the actuary and increased \$8,380,158 as of that date.

In fiscal year 2015 and effective July 1, 2014, the County amended the plan to provide accidental disability benefits to employees of the Sherriff's department with required contributions from both Employer and Employee.

* 2014 pension costs as stated under the total pension liability heading do not include adjustments for GASB 68, and are stated as they were presented in the County's June 30, 2014 financial statements.

**WICOMICO COUNTY, MARYLAND
SCHEDULE OF COUNTY CONTRIBUTIONS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 1,909,665	\$ 1,827,436	\$ 1,934,838	\$ 1,704,075	\$ 1,397,479	\$ 1,394,641	\$ 2,076,253	\$ 1,924,914	\$ 2,007,397	\$ 2,117,828
Contributions in relation to the actuarially determined contribution	<u>3,415,534</u>	<u>4,145,167</u>	<u>2,245,945</u>	<u>1,603,309</u>	<u>197,203</u>	<u>121,835</u>	<u>3,419,357</u>	<u>3,628,935</u>	<u>3,024,237</u>	<u>3,848,869</u>
Contribution deficiency (excess)	<u>\$ (1,505,869)</u>	<u>\$ (2,317,731)</u>	<u>\$ (311,107)</u>	<u>\$ 100,766</u>	<u>\$ 1,200,276</u>	<u>\$ 1,272,806</u>	<u>\$ (1,343,104)</u>	<u>\$ (1,704,021)</u>	<u>\$ (1,016,840)</u>	<u>\$ (1,731,041)</u>
Covered-employee payroll	\$ 27,339,769	\$ 27,309,515	\$ 25,807,422	\$ 24,219,224	\$ 22,711,862	\$ 24,986,183	\$ 26,460,911	\$ 24,662,097	\$ 22,720,183	\$ 18,792,937
Contributions as a percentage of covered-employee payroll	12.49%	15.18%	8.70%	6.62%	0.87%	0.49%	12.92%	14.71%	13.31%	20.48%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal projected unit credit
Amortization method	Level dollar
Remaining amortization period	21/20 years
Asset valuation method	Actual value
Inflation	N/A
Salary increases	2.50%
Investment rate of return	7.75%, net of pension plan investment expense
Retirement age	No one is presumed to retire until 2 years after the earliest age eligible for full benefits.
Mortality	The RP-2000 Mortality Table (gender specific)

Prior to July 1, 2007 the actuarial valuation used, frozen entry age normal and an 8% rate of return.

Effective July 1, 2009 the valuation included no projected salary increase for three years, 1% for the fourth year and 2.5% ongoing. And the assumption for retirement age was increased to 2 years after the earliest age eligible for full benefits.

Notes to Schedule:

The total pension benefit at June 30, 2014 was recalculated by the actuary and increased \$8,380,158 as of that date. In fiscal year 2015 and effective July 1, 2014, the County amended the plan to provide accidental disability benefits to employees of the Sheriff's department increasing the actuarially determined contribution to \$919,120.

**WICOMICO COUNTY, MARYLAND
SCHEDULE OF INVESTMENT RETURNS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual money-weighted rate of return, net of investment expense	0.00%	13.80%	9.62%	(0.84%)	19.35%	12.34%	(15.45%)	2.12%	16.09%	10.60%

WICOMICO COUNTY, MARYLAND
SCHEDULE OF PROPORTIONAL SHARE OF NET PENSION LIABILITY
COST SHARING PENSION PLAN
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	<u>2015</u>
County's proportion of the net pension liability	0.002075%
County's proportional share of the net pension liability	\$ 368,298
County's covered-employee payroll	\$ 519,527
County's proportional share of the net pension liability as a percentage of its covered-employee payroll	70.89%
The total pension liability as a percentage of plan fiduciary net position	0.19%

**WICOMICO COUNTY, MARYLAND
SCHEDULE OF CONTRIBUTIONS
COST SHARING PENSION PLAN
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>2015</u>
Contractually required contributions	\$ 50,550
Contributions in relation to the contractually required contribution	<u>50,550</u>
Contribution deficiency (asset)	<u><u>\$</u></u>
County's covered-employee payroll	\$ 519,527
Contributions as a percentage of covered-employee payroll	9.73%

WICOMICO COUNTY, MARYLAND
THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
RETIREE HEALTH INSURANCE PLAN TRUST

(UNAUDITED)

Schedule of Funding Progress:

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ 3,209,000	\$ 48,341,000	\$ 45,132,000	6.64%	\$ 109,000,000	41.41%
7/1/2010	5,251,300	45,458,666	40,207,366	11.55%	101,419,000	39.64%
7/1/2011	8,153,600	50,520,033	42,366,433	16.14%	98,246,000	43.12%
7/1/2012	9,671,300	53,619,644	43,948,344	18.04%	103,261,000	42.56%
7/1/2013	11,738,600	57,720,548	45,981,948	20.34%	104,796,000	43.88%
7/1/2014	14,332,500	62,766,537	48,434,037	22.83%	107,382,505	45.10%

Schedule of Employer Contributions:

Year Ended June 30,	Employer Contributions	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual Required Contribution Contributed	Percentage of Annual OPEB Cost Contributed
2011	\$ 4,354,000	\$ 3,591,082	\$ 3,598,819	121.24%	120.98%
2012	4,279,100	3,915,824	3,927,822	109.28%	108.94%
2013	3,984,000	4,129,061	4,143,013	96.49%	96.16%
2014	3,888,000	4,049,511	4,062,589	96.01%	95.70%
2015	3,886,108	4,153,343	4,165,416	93.57%	93.29%

**WICOMICO COUNTY, MARYLAND
THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF PROPORTIONAL SHARE OF NET PENSION LIABILITY
PENSION PLANS
TEACHERS' RETIREMENT AND PENSION SYSTEMS**

	2015
Board's proportion of the net pension liability	0.00000%
Board's proportionate share of the net pension liability	\$
State's proportionate share of the net pension liability	<u>87,166,955</u>
Total	<u>\$ 87,166,955</u>
Board's covered-employee payroll	\$ 95,262,765
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.19%

*Schedules are intended to provide 10-year trend information.
Additional years will be displayed as available.*

**WICOMICO COUNTY, MARYLAND
THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF BOARD CONTRIBUTIONS
PENSION PLANS
TEACHERS' RETIREMENT AND PENSION SYSTEMS**

	2015
Contractually required contributions	\$ 3,524,616
Contributions in relation to the contractually required contribution	<u>3,524,616</u>
Total	<u><u>\$ 0</u></u>
Board's covered-employee payroll	\$ 95,262,765
Contributions as a percentage of covered-employee payroll	3.70%

*Schedules are intended to provide 10-year trend information.
Additional years will be displayed as available.*

WICOMICO COUNTY, MARYLAND
THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLAN FOR EMPLOYEES

Schedule of Changes in Employer's Net Pension Liability:

	June 30, 2015
Total pension liability	
Service cost	842,490
Interest	1,849,338
Benefit payments	(1,250,672)
Net change in total pension liability	1,441,156
Total pension liability - beginning, as restated	23,786,836
Total pension liability - ending (a)	25,227,992
Plan fiduciary net position	
Contribution - employer	722,205
Contribution - plan member	381,911
Net investment income	178,057
Benefit payments	(1,250,672)
Administrative expenses	(138,986)
Net change in plan fiduciary net position	(107,485)
Plan fiduciary net position - beginning, as restated	21,620,477
Plan fiduciary net position - ending (b)	21,512,992
Net pension liability (a - b)	3,715,000

Schedule of Employer's Net Pension Liability:

Actuarial Valuation Date	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
June 30, 2014	\$ 23,786,836	\$ 21,620,477	\$ 2,166,359	90.89%	9,186,822	23.58%
June 30, 2015	25,227,992	21,512,992	3,715,000	85.27%	9,616,697	38.63%

Schedule of Employer Contributions:

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	569,976	705,355	(135,379)	9,186,822	7.68%
2015	595,796	722,205	(126,409)	9,616,697	7.51%

*Schedules are intended to provide 10-year trend information.
Additional years will be displayed as available.*

SUPPLEMENTARY INFORMATION

**WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Real and personal property taxes			
Real property	\$ 53,778,796	\$ 54,065,060	\$ 286,264
Railroads and public utilities	2,840,534	3,338,656	498,122
Ordinary business corporations	7,484,167	5,152,721	(2,331,446)
Subtotal real and personal property taxes	<u>64,103,497</u>	<u>62,556,437</u>	<u>(1,547,060)</u>
Interest and fees on delinquent taxes	469,167	444,519	(24,648)
Subtotal real and personal property taxes after interest and fees on delinquent taxes	64,572,664	63,000,956	(1,571,708)
Manufacturing exemptions	(1,455,941)	(7,980)	1,447,961
Net additions and abatements	120,000	(66,535)	(186,535)
Tax credits	200	32,652	32,452
Deferred and uncollected taxes	(175,000)	157,696	332,696
Discounts allowed	(410,000)	(397,102)	12,898
Total real and personal property taxes	<u>62,651,923</u>	<u>62,719,687</u>	<u>67,764</u>
Income taxes	<u>39,561,266</u>	<u>46,070,753</u>	<u>6,509,487</u>
Other taxes			
Admission and amusement	85,000	183,292	98,292
Recordation tax	2,757,621	2,860,521	102,900
911 telephone surcharge tax	534,510	542,033	7,523
Trailer park	340,000	317,747	(22,253)
Total other taxes	<u>3,717,131</u>	<u>3,903,593</u>	<u>186,462</u>
Total taxes	<u>105,930,320</u>	<u>112,694,033</u>	<u>6,763,713</u>
Licenses and permits			
Alcoholic beverages	178,000	200,413	22,413
Amusement	5,500	5,197	(303)
Traders	65,000	63,845	(1,155)
Building, equipment, and electrical	155,000	196,318	41,318
Marriage	22,000	24,480	2,480
Cable TV franchise	830,000	824,738	(5,262)
Other	3,760	17,578	13,818
Total licenses and permits	<u>1,259,260</u>	<u>1,332,569</u>	<u>73,309</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental			
Operating grants and contributions			
Disparity grant	8,241,000	6,653,843	(1,587,157)
Teacher retirement supplementary grant	1,567,837	1,567,837	
Health	62,055	64,292	2,237
Public safety - detention center	91,703	84,061	(7,642)
Public safety - police	373,503	398,574	25,071
Charges for services and fees			
General government - circuit courts	117,720	136,786	19,066
Health	598,313	550,580	(47,733)
Payments in lieu of taxes	30,000	27,124	(2,876)
Miscellaneous		7,410	7,410
Total intergovernmental	<u>11,082,131</u>	<u>9,490,507</u>	<u>(1,591,624)</u>
Charges for services			
Bay Restoration - administrative fee	21,000	18,152	(2,848)
City of Salisbury - share of building expenses	134,762	140,741	5,979
City of Salisbury - share of MIS	3,000	3,000	
City of Salisbury - share of planning & zoning	160,287	160,287	
Detention Center - local charges	112,800	123,573	10,773
Detention Center - reimbursement for inmates expenses, federal and state per diem	179,405	195,750	16,345
Detention Center - reimbursement for inmates expenses, enterprise funds	84,000	26,907	(57,093)
Fire safety fees	145,000	179,363	34,363
Forest Conservation service charges	3,000	3,750	750
Health - mosquito control fees	124,000	120,672	(3,328)
Impact fees	771,142	515,151	(255,991)
Miscellaneous fees, rentals, and sales	6,972	96,140	89,168
Public works subdivision review fees	9,000	12,170	3,170
Public works and roads fees	2,259,862	1,922,177	(337,685)
Room tax - administrative fee	17,000	21,314	4,314
Sheriff's fees	503,775	558,038	54,263
Sheriff's services - Board of Education	578,040	599,122	21,082
Specialty taxes - administrative fee	6,100	6,100	
Enterprise funds - administrative fee	84,479	55,479	(29,000)
Wicomico County Liquor Control Board fee	500,000	466,800	(33,200)
Zoning and subdivision fees	4,900	4,426	(474)
Total charges for services	<u>5,708,524</u>	<u>5,229,112</u>	<u>(479,412)</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	85,850	73,092	(12,758)
Miscellaneous	396,284	890,870	494,586
Investment earnings	185,028	47,924	(137,104)
Total revenues	<u>\$ 124,647,397</u>	<u>\$ 129,758,107</u>	<u>\$ 5,110,710</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government			
Legislative/council			
Salaries - County Council	\$ 115,000	\$ 115,226	\$ (226)
Salaries - general	195,691	194,486	1,205
Operating expenditures	98,728	49,655	49,073
Total legislative/council	<u>409,419</u>	<u>359,367</u>	<u>50,052</u>
Administrative/executive			
Salaries - elected office	85,000	85,542	(542)
Salaries - general	326,800	313,311	13,489
Operating expenditures	117,511	53,072	64,439
Total administrative/executive	<u>529,311</u>	<u>451,925</u>	<u>77,386</u>
Judicial			
Circuit Court			
Salaries - general	754,388	687,791	66,597
Operating expenditures	375,808	301,359	74,449
Capital outlay	36,988	36,988	
Total Circuit Court	<u>1,167,184</u>	<u>1,026,138</u>	<u>141,046</u>
Orphans' Court			
Salaries - general	31,848	31,848	
Operating expenditures	6,529	6,056	473
Total Orphans' Court	<u>38,377</u>	<u>37,904</u>	<u>473</u>
State's Attorney			
Salaries - elected office	119,457	119,353	104
Salaries - general	2,007,906	1,962,691	45,215
Operating expenditures	510,925	421,024	89,901
Capital outlay	21,228	21,228	
Total State's Attorney	<u>2,659,516</u>	<u>2,524,296</u>	<u>135,220</u>
Total judicial	<u>3,865,077</u>	<u>3,588,338</u>	<u>276,739</u>
Elections			
Salaries - general	462,702	457,633	5,069
Operating expenditures	530,067	480,161	49,906
Total elections	<u>992,769</u>	<u>937,794</u>	<u>54,975</u>
Management information systems			
Salaries - general	351,557	336,386	15,171
Operating expenditures	303,769	197,086	106,683
Capital outlay	161,247	24,038	137,209
Total management information systems	<u>816,573</u>	<u>557,510</u>	<u>259,063</u>
Purchasing			
Salaries - general	135,775	135,775	
Operating expenditures	38,246	35,539	2,707
Total purchasing	<u>174,021</u>	<u>171,314</u>	<u>2,707</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government (continued)			
Financial administration			
Finance			
Salaries - general	760,931	716,598	44,333
Operating expenditures	279,842	260,804	19,038
Capital outlay	4,700	4,631	69
Total finance	<u>1,045,473</u>	<u>982,033</u>	<u>63,440</u>
Public accountant			
Auditors' services	81,395	80,650	745
Total financial administration	<u>1,126,868</u>	<u>1,062,683</u>	<u>64,185</u>
Human resources			
Salaries - general	292,828	289,449	3,379
Operating expenditures	146,836	123,232	23,604
Capital outlay	5,067	5,067	
Total human resources	<u>444,731</u>	<u>417,748</u>	<u>26,983</u>
Legal			
Salaries - general	329,119	329,119	
Operating expenditures	99,172	99,172	
Capital outlay	351	351	
Total legal	<u>428,642</u>	<u>428,642</u>	
Community promotion			
Community access channel	80,874	80,874	
Economic development	442,314	155,220	287,094
Operating expenditures	115,703	104,570	11,133
Total community promotion	<u>638,891</u>	<u>340,664</u>	<u>298,227</u>
Planning and zoning			
Salaries	1,081,581	984,357	97,224
Operating expenditures	94,467	125,654	(31,187)
Capital outlay	45,818	25,186	20,632
Total planning and zoning	<u>1,221,866</u>	<u>1,135,197</u>	<u>86,669</u>
General services			
Salaries	222,349	221,036	1,313
Operating expenditures	708,099	718,395	(10,296)
Capital outlay	145,589	145,355	234
Total general services	<u>1,076,037</u>	<u>1,084,786</u>	<u>(8,749)</u>
Total general government	<u>11,724,205</u>	<u>10,535,968</u>	<u>1,188,237</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety			
Sheriff's Department			
Salary - Sheriff	90,897	91,115	(218)
Salaries - general	6,993,409	6,840,652	152,757
Operating expenditures	555,833	706,575	(150,742)
Capital outlay	122,820	58,660	64,160
Total Sheriff's Department	<u>7,762,959</u>	<u>7,697,002</u>	<u>65,957</u>
Emergency Services			
Salaries - general	1,215,082	1,099,294	115,788
Operating expenditures	436,922	511,394	(74,472)
Capital outlay	124,035	93,795	30,240
Total Emergency Services	<u>1,776,039</u>	<u>1,704,483</u>	<u>71,556</u>
Fire Department			
City of Salisbury contributions			
Ambulance	465,000	465,000	
Fire Department	125,000	125,000	
Volunteer Ambulance	1,705,000	1,705,000	
Volunteer Ambulance - insurance	84,876	84,876	
Workers' compensation insurance	85,000	85,000	
LOSAP committee	185,000	182,775	2,225
Grants	1,411,000	1,411,000	
Sinking fund	378,000	378,000	
Hepatitis vaccine	5,000		5,000
Respiratory protection	39,004	9,211	29,793
Total Fire Department	<u>4,482,880</u>	<u>4,445,862</u>	<u>37,018</u>
Liquor License Board			
Salaries - board members and attorneys	30,815	30,769	46
Salaries - general	106,272	106,318	(46)
Operating expenditures	35,624	35,624	
Total Liquor License Board	<u>172,711</u>	<u>172,711</u>	
Protection of Animals			
Contractual services - Humane Society	303,069	303,069	
Total public safety	<u>14,497,658</u>	<u>14,323,127</u>	<u>174,531</u>
Detention Center			
Salaries - general	7,343,802	7,312,074	31,728
Medical	2,196,953	2,160,944	36,009
Contracted food services	741,278	696,637	44,641
Operating expenditures	1,088,352	980,337	108,015
Capital outlay	41,500	39,450	2,050
Total Detention Center	<u>11,411,885</u>	<u>11,189,442</u>	<u>222,443</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public works			
Roads			
Salaries - general	2,553,582	2,310,122	243,460
Operating expenditures	6,755,298	6,288,807	466,491
Capital outlay	250,000	436,364	(186,364)
Total roads	<u>9,558,880</u>	<u>9,035,293</u>	<u>523,587</u>
Sanitation, water, and sewer			
Fruitland water and sewer	<u>105,304</u>	<u>105,304</u>	
Tri-County Council/Shore Transit			
Grants - operating	383,464	383,464	
Grants - capital outlay	52,345	52,345	
Grants - County match	100,136	100,136	
Grants - legislative	10,000	10,000	
Total Tri-County Council/Shore Transit	<u>545,945</u>	<u>545,945</u>	
Total public works	<u>10,210,129</u>	<u>9,686,542</u>	<u>523,587</u>
Health and welfare			
Public health			
Salaries - general	126,955	126,955	
Operating expenditures	3,309,838	3,122,527	187,311
Total public health	<u>3,436,793</u>	<u>3,249,482</u>	<u>187,311</u>
Mosquito control			
Salaries - general	106,767	86,356	20,411
Operating expenditures	38,587	22,312	16,275
Total mosquito control	<u>145,354</u>	<u>108,668</u>	<u>36,686</u>
Gypsy Moth control			
Operating expenditures	<u>1,500</u>	<u>1,500</u>	
Total health and welfare	<u>3,583,647</u>	<u>3,359,650</u>	<u>223,997</u>
Social services			
Teen Adult Center	61,363	61,363	
Maintenance of Aged in Community	223,640	223,640	
Commission on Aging	250	250	
Life Crisis Center - grant	13,500	13,500	
Total social services	<u>298,753</u>	<u>298,753</u>	

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	40,396,119	40,396,119	
Wicomico County Free Library	1,158,338	1,158,338	
Community College - grant	4,063,970	4,063,970	
Extension Service	93,436	91,438	1,998
Total education	<u>45,711,863</u>	<u>45,709,865</u>	<u>1,998</u>
Culture and recreation			
Operating expenditures	194		194
Total culture and recreation	<u>194</u>		<u>194</u>
Miscellaneous			
Social security	1,733,195	1,645,769	87,426
Grants and mandates	493,014	455,843	37,171
Funded retirement plan	3,327,156	2,193,740	1,133,416
OPEB	1,636,364	1,626,377	9,987
Provision for compensated absences		(68,511)	68,511
Hospitalization, disability and life	6,339,026	5,965,575	373,451
Unemployment compensation	20,104	17,939	2,165
Workers' compensation	551,437	455,067	96,370
Liability and arbitrage insurance	573,782	566,853	6,929
Other fringes	112,090	126,052	(13,962)
Total miscellaneous	<u>14,786,168</u>	<u>12,984,704</u>	<u>1,801,464</u>
Debt service			
Principal - County	1,461,253	1,461,253	
Principal - Board of Education	7,485,686	7,485,686	
Interest - County	504,910	504,903	7
Interest - Board of Education	3,515,448	3,235,448	280,000
Agent fees	40,001	34,530	5,471
Total debt service	<u>13,007,298</u>	<u>12,721,820</u>	<u>285,478</u>
Total expenditures	<u>\$ 125,231,800</u>	<u>\$ 120,809,871</u>	<u>\$ 4,421,929</u>

**WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Transfers out			
Wicomico County Grants	\$ (72,343)	\$ (72,343)	\$
Wicomico County Economic Development	(250,000)	(537,094)	(287,094)
Wicomico County Civic Center	(627,119)	(627,119)	
Wicomico County Capital Projects	(4,119,766)	(4,119,766)	
Total transfers out	<u>(5,069,228)</u>	<u>(5,356,322)</u>	<u>(287,094)</u>
Appropriations of fund equity			
Fund balance reappropriated	5,818,604		(5,818,604)
Supplemental fund equity appropriations	256,190		(256,190)
Total appropriations of fund equity	<u>6,074,794</u>	<u></u>	<u>(6,074,794)</u>
Other uses			
Contingency	(421,163)		421,163
Total other uses	<u>(421,163)</u>	<u></u>	<u>421,163</u>
 Total other financing uses	 <u>\$ 584,403</u>	 <u>\$ (5,356,322)</u>	 <u>\$ (5,940,725)</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2015**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2015	\$ 0.952	\$ 2.172	\$ 0.392	\$ 6,061,149,203	\$ 62,448,031	\$ 62,108,479
2014	0.909	2.137	0.392	6,209,787,907	61,273,778	60,706,421
2013	0.840	2.101	0.392	6,849,325,529	60,740,284	60,266,937
2012	0.759	1.923	0.392	7,019,044,486	58,772,350	58,259,815
2011	0.759	1.898	0.392	7,570,127,719	62,308,718	61,818,028

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 occurred 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>
99.07%	\$ 485,075	\$ 61,191,496	99.87%	\$ 1,379,711	2.25%
99.22%	585,766	60,852,703	100.19%	1,461,908	2.41%
99.13%	471,077	58,730,892	99.93%	1,573,130	2.68%
99.21%	1,589,755	63,407,783	101.76%	1,794,119	2.88%
99.06%	508,971	63,423,982	99.86%	2,769,556	4.36%

**WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2015**

	Interest Rate
Governmental activities	
General obligation bonds	
General Obligation Bond 2004 Series	4.98
Public Improvement Bonds of 2005 "2 nd "	4.0 - 4.125
Public Improvement Bonds of 2006	4.00
Public Improvement Bonds of 2007	3.5 - 5.0
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Refunding Bonds of 2009, Second Issue (Tax-Exempt)	2.5 - 4.0
Public Improvement Bonds of 2009 (Taxable Build America Bonds - Direct Payment)	1.0 - 6.125
Consolidated Public Improvement and Refunding Bonds of 2010	2.0 - 4.0
Public Improvement Bonds of 2012 Refunding	2.0 - 4.0
Refunding Bond of 2013	2.94
Public Improvement Bonds of 2013	3.0 - 5.0
Public Improvement Bonds of 2014 Tax Exempt	2.0-5.0
Public Improvement Bonds of 2014 Taxable	3.0-4.6
Add: issuance premiums	
Total general obligation bonds	
Capital lease obligations	
*Energy efficient upgrades	3.4
 Total Governmental activity long-term liabilities	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>Original Balances After Refunding</u>	<u>June 30, 2015 Balance</u>
December 28, 2004	January 1, 2017	500,000	500,000	104,820
November 15, 2005	November 1, 2020	8,525,000	5,135,000	600,000
October 1, 2006	October 1, 2021	11,225,000	7,500,000	1,500,000
December 1, 2007	December 1, 2022	16,675,000	16,675,000	10,050,000
December 1, 2008	December 1, 2033	20,170,000	8,900,000	4,040,000
June 15, 2009	December 1, 2019	19,939,068	19,939,068	2,451,915
December 16, 2009	February 1, 2021	3,780,000	3,780,000	2,260,000
December 16, 2009	December 1, 2034	16,465,000	16,465,000	14,060,000
December 1, 2010	February 1, 2026	6,795,000	6,795,000	5,545,000
October 17, 2012	June 30, 1933	28,168,179	28,168,179	25,344,900
November 26, 2013	November 15, 2033	13,999,000	13,999,000	13,998,000
October 30, 2013	June 30, 2034	12,500,000	12,500,000	11,875,000
December 30, 2014	July 1, 2039	8,325,000	8,325,000	8,325,000
December 30, 2014	July 1, 2039	1,605,000	1,605,000	1,605,000
		4,857,116	4,857,116	4,023,235
		<u>173,528,363</u>	<u>155,143,363</u>	<u>105,782,870</u>
May 30, 2012	January 5, 2025	3,127,203	3,127,203	2,745,430
		<u>3,127,203</u>	<u>3,127,203</u>	<u>2,745,430</u>
		<u>\$ 176,655,566</u>	<u>\$ 158,270,566</u>	<u>\$ 108,528,300</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2015
(Continued)

	Interest Rate
Business-type activities	
General obligation bonds	
Refunding Bonds of 2009	2.5 - 3.5
Public Improvement Bonds of 2012 Refunding	2.0 - 4.0
Public Improvement Bonds of 2014 Tax Exempt	2.0 - 5.0
Add: issuance premiums	
Total General obligation bonds	
Loan payable	
Maryland DBED Loan	3.0
*Nursing Home	0.0
Total Loan payable	
Capital lease obligations	
*Suntrust Lease	2.53
*Energy efficient upgrades	3.4
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>Original Balances After Refunding</u>	<u>June 30, 2015 Balance</u>
June 15, 2009	December 1, 2019	\$ 1,000,932	\$ 1,000,932	\$ 123,085
October 17, 2012	June 30, 2033	166,821	166,821	150,100
December 30, 2014	July 1, 2039	1,000,000	1,000,000	1,000,000
		35,433	35,433	21,073
		<u>2,203,186</u>	<u>2,203,186</u>	<u>1,294,258</u>
June 17, 2013	December 31, 2017	426,448	426,448	255,869
May 1, 2014	May 1, 2015	53,180	53,180	50,223
		<u>479,628</u>	<u>479,628</u>	<u>306,092</u>
October 16, 2010	October 15, 2015	1,126,530	1,126,530	79,461
May 30, 2012	January 5, 2025	932,782	932,782	818,907
		<u>2,059,312</u>	<u>2,059,312</u>	<u>898,368</u>
		4,742,126	4,742,126	2,498,718
		(53,180)	(53,180)	(50,223)
		<u>4,688,946</u>	<u>4,688,946</u>	<u>2,448,495</u>
		181,344,512	162,959,512	110,976,795
		<u>(5,186,515)</u>	<u>(5,186,515)</u>	<u>(3,643,798)</u>
		<u>\$ 176,157,997</u>	<u>\$ 157,772,997</u>	<u>\$ 107,332,997</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2015
(Continued)

The annual debt service requirement (principal and interest) of the Primary Government for the general obligation bonds, state loans, and other loans are as follows (note that the amortization of issuance premiums are included in the interest portion of debt service):

Fiscal Year Ending June 30	General Obligation Bonds	State Loans	Total Debt Service on Debt Subject to Limitation
2016	\$ 12,353,291	\$ 92,966	\$ 12,446,257
2017	12,401,378	90,407	12,491,785
2018	11,792,901	87,847	11,880,748
2019	10,952,215		10,952,215
2020	10,087,149		10,087,149
2021	9,132,824		9,132,824
2022	7,883,397		7,883,397
2023	6,481,494		6,481,494
2024	4,904,115		4,904,115
2025	4,818,068		4,818,068
2026	4,721,970		4,721,970
2027	4,382,355		4,382,355
2028	4,309,913		4,309,913
2029	4,233,463		4,233,463
2030	4,149,648		4,149,648
2031	4,069,834		4,069,834
2032	3,990,681		3,990,681
2033	3,904,232		3,904,232
2034	3,002,308		3,002,308
2035	1,520,397		1,520,397
2036	501,615		501,615
2037	487,176		487,176
2038	472,473		472,473
2039	457,507		457,507
2040	442,496		442,496
Total	<u>131,452,900</u>	<u>271,220</u>	<u>131,724,120</u>
Less interest	<u>28,420,081</u>	<u>15,351</u>	<u>28,435,432</u>
Outstanding principal	<u>\$ 103,032,819</u>	<u>\$ 255,869</u>	<u>\$ 103,288,688</u>

WICOMICO COUNTY, MARYLAND

**BALANCE SHEET
LOCAL MANAGEMENT BOARD**

**JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash allocation from general fund	\$ 77,754	\$ 75,183
Due from other governmental agencies	<u>87,333</u>	<u>91,490</u>
Total assets	<u>\$ 165,087</u>	<u>\$ 166,673</u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 127,829	\$ 118,002
Unearned revenues	7,487	19,812
Accrued payroll and taxes	10,099	8,755
Accrued compensated absences	<u>4,539</u>	<u>5,217</u>
Total liabilities	<u>149,954</u>	<u>151,786</u>
FUND BALANCES		
Unassigned	<u>15,133</u>	<u>14,887</u>
Total fund balances	<u>15,133</u>	<u>14,887</u>
 Total liabilities and fund balance	 <u>\$ 165,087</u>	 <u>\$ 166,673</u>

WICOMICO COUNTY, MARYLAND

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

**YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>2015</u>	<u>2014</u>
REVENUES		
Subcabinet fund	\$ 767,022	\$ 757,544
Other state grants	289,783	296,464
Other grants	7,708	250
Total revenues	<u>1,064,513</u>	<u>1,054,258</u>
EXPENDITURES		
Subcabinet Fund		
Administrative expenditures	64,943	64,985
Administrative expenditures- County portion	71,597	65,425
Family Empowerment Initiative- Parenting	119,691	119,635
Local Access Training	114,950	114,506
After School	284,209	283,307
Truancy Prevention Elementary Pilot	174,232	175,111
Total subcabinet fund	<u>829,622</u>	<u>822,969</u>
Other state grant	299,741	296,464
Other grants	7,708	250
Total expenditures	<u>1,137,071</u>	<u>1,119,683</u>
Deficiency of revenues over expenditures	<u>(72,558)</u>	<u>(65,425)</u>
OTHER FINANCING SOURCES		
Interest income	46	67
Interfund transfer	72,278	65,643
Miscellaneous income	480	139
Total other financing sources	<u>72,804</u>	<u>65,849</u>
Excess of revenues and other financing sources over expenditures	246	424
BEGINNING FUND BALANCE	<u>14,887</u>	<u>14,463</u>
ENDING FUND BALANCE	<u>\$ 15,133</u>	<u>\$ 14,887</u>