

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, 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 4.4%, 4.0%, and 29.5%, 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.

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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 4.4%, 4.0%, and 29.5%, 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 solely 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis included on pages 6 through 16, as well as the schedules included on pages 111 through 123 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 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 Matters (Continued)

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 124 through 138 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 124 through 138 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 20, 2016, 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 20, 2016



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

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, 2016, 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 20, 2016. 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.

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.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance.

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 20, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Wicomico County's financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2016. 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 an increase in net position from last year of approximately \$8.3 million. This was primarily due to adhering to budgets and reducing expenditures in both governmental and business-type activities.
- General fund fiscal year 2016 actual expenses were \$2.7 million less than originally budgeted. A detail view of budget to actual variance can be found beginning at page 111. 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 2016 increased by nearly \$2.2 million over fiscal year 2015. The primary source of increase was a \$7.4 million increase in Income Tax Revenue compared to budget.
- Through efficient and effective management the County reduced actual expenditures by \$1.2 million when compared to last fiscal year expenditures.
- The County's total general fund balance grew by \$7 million. This is the sixth consecutive year of fund balance growth. Income Tax Revenue continues to grow exceeding last year by \$2.8 million. Other changes in revenue are shown in the three revenue summary tables below.

NEW REVENUES (including transfers in)	FY2016	FY2015	FY2014	FY2013	FY2012
REAL PROPERTY TAX	53,871,248	54,236,290	52,546,925	51,926,918	50,460,900
PERSONAL PROPERTY TAX	8,334,031	8,483,397	8,411,592	9,042,857	8,007,372
LOCAL INCOME TAX	48,859,441	46,070,753	43,553,322	41,027,904	41,845,360
RECORDATION TAX	3,402,652	2,860,521	2,634,927	2,502,251	2,230,158
OTHER LOCAL TAX	1,060,551	1,043,072	1,015,699	1,058,050	997,206
LICENSES & PERMITS	1,364,459	1,332,569	1,222,894	1,242,057	1,223,723
STATE AND FEDERAL GOVERNMENTAL GRANTS	10,338,444	9,490,507	9,650,120	4,866,193	3,268,830
SERVICE CHARGE REVENUE	3,827,468	4,713,961	2,907,658	2,978,074	2,581,989
IMPACT FEES		515,151	557,396	1,267,124	394,014
FINES AND FORFEITURES	41,635	73,092	92,794	138,681	73,686
MISCELLANEOUS REVENUE	662,244	890,870	982,268	1,175,008	2,185,084
INVESTMENT EARNINGS	217,473	47,924	59,885	102,196	76,465
NEW REVENUE (excluding transfers)	131,979,646	129,758,107	123,635,480	117,327,313	113,344,787
TRANSFERS IN			484,328	500,504	512,511
Total Revenue (excluding use of prior year funds)	131,979,646	129,758,107	124,119,808	117,827,817	113,857,298

Dollar Change Year-Over-Year

NEW REVENUES (including transfers in)	FY16 to FY15	FY15 to FY14	FY14 to FY13	FY13 to FY12
REAL PROPERTY TAX	(365,042)	1,689,365	620,007	1,466,018
PERSONAL PROPERTY TAX	(149,366)	71,805	(631,265)	1,035,485
LOCAL INCOME TAX	2,788,688	2,517,431	2,525,418	(817,456)
RECORDATION TAX	542,131	225,594	132,676	272,093
OTHER LOCAL TAX	17,479	27,373	(42,351)	60,844
LICENSES & PERMITS	31,890	109,675	(19,163)	18,334
STATE AND FEDERAL GOVERNMENTAL GRANTS	847,937	(159,613)	4,783,927	1,597,363
SERVICE CHARGE REVENUE	(886,493)	1,806,303	(70,416)	396,085
IMPACT FEES	(515,151)	(42,245)	(709,728)	873,110
FINES AND FORFEITURES	(31,457)	(19,702)	(45,887)	64,995
MISCELLANEOUS REVENUE	(228,626)	(91,398)	(192,740)	(1,010,076)
INVESTMENT EARNINGS	169,549	(11,961)	(42,311)	25,732
NEW REVENUE (excluding transfers)	2,221,539	6,122,627	6,308,167	3,982,527
TRANSFERS IN		(484,328)	(16,176)	(12,007)
Total Revenue (excluding use of prior year funds)	2,221,539	5,638,299	6,291,991	3,970,520

Percent Change Year-Over-Year

NEW REVENUES (including transfers in)	FY16 to FY15	FY15 to FY14	FY14 to FY13	FY13 to FY12
REAL PROPERTY TAX	-0.7%	3.2%	1.2%	2.9%
PERSONAL PROPERTY TAX	-1.8%	90.0%	-7.0%	12.9%
LOCAL INCOME TAX	6.1%	5.8%	6.2%	-2.0%
RECORDATION TAX	19.0%	8.6%	5.3%	12.2%
OTHER LOCAL TAX	1.7%	2.7%	-4.0%	6.1%
LICENSES & PERMITS	2.4%	9.0%	-1.5%	1.5%
STATE AND FEDERAL GOVERNMENTAL GRANTS	8.9%	-1.7%	98.3%	48.9%
SERVICE CHARGE REVENUE	-18.8%	62.1%	-2.4%	15.3%
IMPACT FEES	-100.0%	-7.6%	-56.0%	221.6%
FINES AND FORFEITURES	-43.0%	-21.2%	-33.1%	88.2%
MISCELLANEOUS REVENUE	-25.7%	-9.3%	-16.4%	-46.2%
INVESTMENT EARNINGS	353.8%	-20.0%	-41.4%	33.7%
NEW REVENUE (excluding transfers)	1.7%	5.0%	5.4%	3.5%
TRANSFERS IN		-100.0%	-3.2%	-2.3%
Total Revenue (excluding use of prior year funds)	1.7%	4.5%	5.3%	3.5%

There are several notable changes in revenue from FY15 to FY16.

- ✓ The state increased the disparity grant by \$710,348 compared to the FY15 disparity grant revenue.
- ✓ Income tax revenues increased by \$2.8 million. Forecasting income tax revenue has been challenging due to many uncertainties such as; the local changes in employment and jobs data has been volatile, the State of Maryland implemented changes to the tax laws, and the Federal Government engaged in fiscal activities such as a government shut-down, and sequestration. 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 not changed in FY16 to the Charter Revenue Cap limit. To try to be more competitive with neighboring counties that have a lower tax rate, the property tax rate remained constant with FY15 tax rate.
- ✓ Personal Property revenues decreased by \$150,000 from fiscal year 2015 levels. This was mostly due to the fact this was the last year of the county's five year phase-out of the business inventory tax.

General fund actual expenses decreased by \$1.2 million compared to fiscal year 2015. 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 FY16.

Department	% Change FY15 to FY16	Change Over Prior Period	FY 2016	FY 2015
PENSIONS & RETIREMENT	-110.92%	\$ (5,986,859)	\$ (589,484)	\$ 5,397,375
CONTINGENCY & CAPITAL	27.71%	754,670	3,478,232	2,723,562
ROADS	-18.65%	(1,684,827)	7,350,466	9,035,293
BOARD OF EDUCATION	1.28%	651,897	51,769,150	51,117,253
STATES ATTORNEY	29.36%	741,125	3,265,421	2,524,296
COMMUNITY COLLEGE	0.00%	-	4,063,970	4,063,970
CORRECTIONS	34.20%	3,826,419	15,015,861	11,189,442
GENERAL SERVICES	-3.14%	(34,084)	1,050,702	1,084,786
SHERIFF'S DEPARTMENT	45.18%	3,477,628	11,174,630	7,697,002
EMERGENCY SERVICES	35.95%	612,762	2,317,245	1,704,483
TRI COUNTY COUNCIL/SHORE TRANSIT	-18.34%	(100,136)	445,809	545,945
HOSPITALIZATION & DISABILITY	-99.21%	(5,936,256)	47,258	5,983,514
ALL OTHER DEPARTMENTS	13.77%	2,394,281	19,787,542	17,393,261
PUBLIC HEALTH	0.67%	21,850	3,271,332	3,249,482
COMMUNITY GRANTS	7.79%	35,489	491,332	455,843
DEBT RETIREMENT	0.89%	17,761	2,018,447	2,000,686
Total Change	-0.96%	\$ (1,208,280)	\$ 124,957,913	\$ 126,166,193

- ✓ Pension & Retirement are now included in the actual department that employs the employee. Hospitalization is also included in the department that employs the employee. This is the cause of the increase in department expenses when compared to the previous year. Note also the decrease in the line items pension & retirement as well as hospitalization and disability.
- ✓ The Roads department decrease was the bad weather the County received in FY16 did not allow contractors to work as often as they were able to in FY15. Also there was a contract issue with a contractor meeting deadlines timely.
- ✓ The Board of Education's increase of \$651,897 is primarily due to the state mandated increases in the Maintenance of Effort and Teacher Pension contributions.
- ✓ Hospitalization and Disability costs continue to increase 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 \$17,761 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, 2016, the County carried about \$91 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, 2016 and 2015:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	110.33	100.36	31.24	27.80	141.57	128.16
Capital assets	84.97	86.12	68.86	60.80	153.83	146.92
Total Assets	195.30	186.48	100.10	88.60	295.40	275.08
Deferred Outflows of Resources	4.53	4.16	0.01	0.02	4.54	4.18
Current and other liabilities	20.46	21.77	3.37	3.14	23.83	24.91
Long-term liabilities	121.38	109.23	13.07	11.90	134.45	121.13
Total Liabilities	141.84	131.00	16.44	15.04	158.28	146.04
Deferred Inflows of Resources	0.04	0.05	0.19	0.19	0.23	0.24
Net investment in capital assets	7.39	8.09	64.68	58.31	72.07	66.40
Restricted	22.13	18.84	0.13	0.13	22.26	18.97
Unrestricted	28.43	32.68	18.67	14.93	47.10	47.61
Total Net Position	57.95	59.61	83.48	73.37	141.43	132.98

The Statement of Net Position for governmental activities for the fiscal year ending June 30, 2016 shows total net assets of \$57.95 million, with an unrestricted net position amount of 28.43 million. The County's business-type activities show \$18.67 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 position of business-type activities generally are not used to make up for any deficit in governmental activities. Historically, the County only uses these net positions 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, 2016 and 2015:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Component Units	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Service	7.35	8.51	21.94	21.23	2.07	1.71
Operating & Capital Grants	16.56	14.64	6.26	3.23	59.71	64.31
General Revenues						
Property Taxes	62.52	62.59				
Local Taxes	53.32	49.97	1.31	1.23		
Other	0.55	0.89	0.36	(0.10)	163.41	157.84
Total Revenues	140.30	136.60	29.87	25.59	225.19	223.86
Program Expenses						
Governmental Activities						
General Government	22.81	33.73				
Public Safety	34.27	26.77				
Public Works	8.12	10.17				
Health & Welfare	4.90	4.85				
Education	57.55	62.55				
Culture & Recreation	4.02	3.84				
Economic Development	0.06					
Interest on Long-Term Debt	3.85	3.94				
Business-Type Activities						
Solid Waste			5.67	5.69		
Airport			4.63	4.68		
Nursing Home			8.83	8.95		
Youth & Civic Center			4.70	4.33		
Other			2.50	2.49		
Component Units						
Board of Education					213.03	209.40
Library					2.78	2.74
Total Expenses	135.58	145.85	26.33	26.14	215.81	212.14
Excess (Deficiency) Before						
Special Items and Transfers	4.72	(9.25)	3.54	(0.55)	9.38	11.72
Special Items		0.61				
Transfers	(6.55)	0.84	6.55	(0.84)		
Change in Net Position	(1.83)	(7.80)	10.09	(1.39)	9.38	11.72
Net Position - Beginning of Year ^{1,2}	59.78	67.43	73.38	74.77	278.26	266.54
Net Position - End of Year	57.95	59.63	83.47	73.38	287.64	278.26

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 pages 108-109.

Table 2 above shows that the County's total net position (Governmental + Business-type) increased by \$8.43 million from fiscal year 2015.

Table 3

Net Cost of Governmental and Business-Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2016	2015	2016	2015	2016	2015
Governmental						
General government	13.75	13.14	22.81	33.73	9.06	20.59
Public safety	2.82	3.78	34.27	26.77	31.45	22.99
Public works	3.80	3.04	8.12	10.17	4.32	7.13
Education			57.55	62.55	57.55	62.55
Others	3.54	3.19	8.98	8.69	5.44	5.50
Business-Type	28.20	24.46	26.33	26.13	(1.87)	1.67

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 2016; 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 to 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 on 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 on 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 \$96.23 million, a increase from fiscal year 2015 balance of \$10 million.

The General Fund

For fiscal year 2016, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$129 million. The final budgetary appropriation, after adjusting for purchase order carry-forward was about \$131.5 million. The County actually spent about \$124.9 million, that is \$6.6 million less than appropriated and \$1.3 million less than actually spent in fiscal year 2015.

New revenues for fiscal year 2016 were estimated to be about \$125 million, an increase over last year of about \$532 thousand. Actual revenue, including transfers-in, totaled \$132 million. Actual expenditures were less than actual revenues, resulting in an increase in fund balance of \$7.0 million. This is the sixth year in a row where there was a net improvement in fund balance.

Enterprise Funds

The County has a number of enterprise funds listed on page 24 of the financial statements. Solid Waste, Airport, Urban Services, Convention and Visitors Bureau, and Nursing Home showed an increase in net position. Civic Center and Other (Electrical Board) each showed a decrease in net position. See notes to the financial statements on page 31.

Capital Asset and Debt Administration

At the end of fiscal year 2016, the County's primary government had about \$153.84 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, 2016 and 2015

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land, Buildings & Infrastructure	272.73	268.91	155.75	142.31	428.48	411.22
Accumulated Depreciation	(187.75)	(182.79)	(86.89)	(81.51)	(274.64)	(264.30)
Total Capital Assets Net of Depreciation	84.98	86.12	68.86	60.80	153.84	146.92

As a result of increased capital spending and a transfer of construction in progress to Urban Services (a business-type activity), total FY16 Governmental Activities Capital Assets, net of depreciation, decreased \$1.1 million from FY15. Business-type activities experienced a \$8 million increase in total capital assets after depreciation, with a \$13 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 54 and 55.

Debt

At year-end, the County had about \$115.29 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$107.38 million last year – an increase of about 7% percent – as shown in table 5. This reflects the net change from scheduled debt retirement, the issuance of \$13.185 million in new debt for continued funding of Board of Education various projects totaling approximately \$8 million and Emergency Service Project totaling over \$5 million, see page 62.

Table 5 - Outstanding Debt at Year-End

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds*	111.850	105.780	3.211	1.294	115.061	107.074
Loans			0.226	0.306	0.226	0.306
Leases and notes payable	2.510	2.745	0.750	0.898	3.260	3.643
Debt not subject to limitation	(2.510)	(2.745)	(0.750)	(0.898)	(3.260)	(3.643)
Total	111.850	105.780	3.437	1.600	115.287	107.380

The County's general obligation bond rating in fiscal year 2016 was AA from Fitch, AA+ from Standard and Poor's, and Aa2 from Moody's. The County's charter limits the amount of general obligation debt that the County can issue to 3.2 percent of the assessable base of real property plus 8 percent of the assessable base of personal property and certain operating real property of public utilities. The County's outstanding general obligation debt of \$115.287 million is significantly below the \$213.3 million limit.

The County issued \$19,715,000 of General Obligation Consolidated Public Improvement Bonds and Refunding Bonds in November of 2015. Approximately \$8 million of this bond was applied to the continued construction of Board of Education various projects, over \$5 million was used to replace Public Safety Radio System. After a small portion was for contingency and bond issuance costs, the balance of the bond was used to refund old bonds with a higher interest rate.

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 2016 budget, tax rates, and fees that were charged for the business-type activities, including:

- The Economy

With a solid foundation in agribusiness and poultry, Wicomico is also strong in the growing sector of healthcare, life sciences, wireless technology and manufacturing. In addition, the County is home to an increasing number of headquarter establishments. Wicomico County still remains a competitive regional center for economic activity. Wicomico boasts 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 \$2.3 billion annually. The County's diverse economic base mitigates effects of economic downturns and allows for capitalization of opportunities during more expansive economic cycles. Wicomico County employment is at a historical high.

Conservative Budgeting and continued prudent spending practices have resulted in a historically high fund balance. Property values and receipts are improving and property inventory is decreasing. Stronger than anticipated income tax revenue has been realized as a result of a broad spectrum job recovery. As a result, Wicomico County's financial position and fiscal outlook are very strong.

- 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 2016 was the final 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 2016 payment was \$3,239,009 which was \$519,680 more than fiscal year 2015.

Next Year's Budget - fiscal year 2017

Below is a summary of the FY17 Budget Narrative.

The overall health of Wicomico County's economy continues to grow. Fiscal year 2017 revenue is estimated to be \$134,975,700; this is 7.0% or \$9,795,699 over the fiscal year 2016 budget. The balanced budget includes a 3% pay increase for county employees for fiscal year 2017.

A brief summary of key economic indicators and revenues follows.

- Based on the actual receipts in fiscal year 2016, income tax revenue for fiscal year 2017 is budgeted to exceed fiscal year 2016 projections by approximately \$4.5 million or 10.9%.
- Revenue from the recordation tax has increased each year since the low point of fiscal year 2011; based on history, recordation tax for fiscal year 2017 is estimated at \$3.0 million, which is 36% more than the fiscal year 2011 low of \$2.2 million. This is a modest estimate because for the first time, the county finance department will be collecting recordation tax instead of the Clerk of Court office. This will eliminate a state fee of 5% charged on every dollar of recordation tax collected by the Clerk of Court. Instead of the county receiving 95% of their recordation tax, they will now receive the entire 100%. Based on history, this new revenue could range from \$100,000 to \$400,000 a year.
- The taxable real property base is expected to grow by .71% from fiscal year 2016 to fiscal year 2017 (March 31, 2016 data from State Department of Assessment and Taxation). Net Property Tax Revenue was budgeted to increase by approximately \$709,000.
- The real property tax rate was not increased in fiscal year for the second year in a row. The difference between the allowable real property tax rate for fiscal year 2017 of \$0.9520 and the fiscal year 2016 real property tax rate of \$0.9518, is only \$0.0002. In trying to stimulate growth in population and new businesses, the County Executive and the County Council agreed not to increase any tax rates in fiscal year 2017.
- Prior to fiscal year 2014, the personal property tax rate was set by law to be 2.5 times the tax rate for real property. In 2013, the Maryland General Assembly modified the tax law to allow local governments to set the tax rate on personal property in a range between zero and a maximum of 2.5 times the current year's real property tax rate. For fiscal year 2017, the net revenue from personal property is conservatively estimated to be \$7.5 million, which includes the effects of the fourth year of the five year phase-out of the tax on business inventory described below and the manufacturing equipment exemption.

To enhance the potential for economic development, the County approved a Code change to phase out the business inventory tax beginning in fiscal year 2014. The tax is being phased out over a five year period that began in fiscal year 2014.

The County's strategy for managing the expense budget is to match expense type to funding source, that is, recurring annual operating expenses will be paid for with recurring annual revenues while investment in capital assets, infrastructure and other non-recurring expenses will be paid for by non-recurring revenue sources such as use of prior year fund balance or "extra" recurring revenue.

The significant changes in budgeted fiscal year 2017 expenses over budgeted fiscal year 2016 expenses are summarized below (amounts may be approximate). The county was able to include the following without raising taxes.

- 3% cost of living to qualified county employees at a cost of \$871,812.
- Board of Education increased funding, \$626,648 to absorb State mandated increases in maintenance-of-effort as a result of increased enrollment.
- \$186,534 to fund the County's commitment to the Fraternal Order of Police
- \$3.5 million one-time contribution to pay-go capital project fund
- \$356,281 increase in funding to the Wor-Wic Community College based on the state formula
- \$265,000 new contribution to Wor-Wic scholarship fund ;the county will make a contribution to this fund along with local businesses so that eligible students can attend Wor-Wic Community College for free through the scholarship
- \$255,957 increase in contribution to the county library
- \$939,729 increase in employer's share of the employees' health insurance
- \$204,683 increase in Worker's compensation cost
- \$703,239 increase in the funding of pension and Other Post Retirement Benefit (OPEB) on to Sheriff's Department for two vehicles and K9 replacement.
- \$180,503 funding of a compensation study for roads and solid waste
- \$100,000 funding of a new program, Community Outreach Addictions Team (COAT)

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	410-548-4801
Policy Decisions	Director of Administration	Wayne Strausburg	410-548-4801
Financial Results	Director of Finance	Leslie Martin Lewis	410-548-4840
Fund Financial Statements	Deputy Director	John Ellis	410-548-4844

BASIC FINANCIAL STATEMENTS

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 95,263,858	\$ 26,756,338	\$ 122,020,196
Certificates of deposit			
Receivables, taxes and other	3,065,767	3,584,477	6,650,244
Notes receivable	202,002		202,002
Due from other governmental agencies	7,073,421	348,211	7,421,632
Advance to other funds		93,703	93,703
Inventories	328,963	197,923	526,886
Prepaid expenses	4,394,431	260,443	4,654,874
Net capital assets	84,976,183	68,857,808	153,833,991
Total assets	195,304,625	100,098,903	295,403,528
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflow - pension	106,685		106,685
Deferred charges - refunding debt	4,419,961	13,350	4,433,311
Total deferred outflows of resources	4,526,646	13,350	4,539,996
LIABILITIES			
Accounts payable and accrued expenses	7,753,662	1,733,144	9,486,806
Accrued payroll and taxes	703,234	147,362	850,596
Due to other governmental agencies	319,794	12,949	332,743
Unearned revenue	316,422	1,073,968	1,390,390
Long-term liabilities			
Due within one year			
Capital lease obligations	242,627	72,369	314,996
Bonds, notes, and loans payable	9,734,237	274,952	10,009,189
Accrued interest payable	938,560	18,633	957,193
Compensated absences	357,145	36,149	393,294
Other liabilities to governmental agencies	96,602		96,602
Due in more than one year			
Capital lease obligations	2,268,275	676,581	2,944,856
Bonds, notes, and loans payable	102,114,739	3,162,867	105,277,606
Compensated absences	3,117,515	325,341	3,442,856
Net pension liability	13,780,114		13,780,114
Advance from other funds		93,703	93,703
Other liabilities to governmental agencies	101,290		101,290
Accrued landfill closure and post-closure costs		8,812,214	8,812,214
Total liabilities	141,844,216	16,440,232	158,284,448
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflow - pension	37,837		37,837
Unavailable revenue	3,155	188,948	192,103
Total deferred inflows of resources	40,992	188,948	229,940
NET POSITION			
Net investment in capital assets	7,387,533	64,684,389	72,071,922
Restricted for			
Capital projects			
Other	22,124,771	133,025	22,257,796
Unrestricted	28,433,759	18,665,659	47,099,418
Total net position	\$ 57,946,063	\$ 83,483,073	\$ 141,429,136

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

Component Units

<u>Board of Education</u>		<u>Wicomico Free Library</u>		<u>Total Component Units</u>		<u>Total</u>	
\$	25,252,034	\$	682,293	\$	25,934,327	\$	147,954,523
			10,214		10,214		10,214
	691,526		16,433		707,959		7,358,203
							202,002
	9,957,055		12,295		9,969,350		17,390,982
							93,703
	5,565				5,565		532,451
	2,326,455				2,326,455		6,981,329
	275,285,106		1,403,248		276,688,354		430,522,345
	<u>313,517,741</u>		<u>2,124,483</u>		<u>315,642,224</u>		<u>611,045,752</u>
	1,658,164				1,658,164		1,764,849
							4,433,311
	<u>1,658,164</u>				<u>1,658,164</u>		<u>6,198,160</u>
	14,888,225				14,888,225		24,375,031
	981,126		22,009		1,003,135		1,853,731
	57,878				57,878		390,621
	2,593,399				2,593,399		3,983,789
	1,260,348				1,260,348		1,575,344
							10,009,189
							957,193
	270,457		62,347		332,804		726,098
							96,602
	1,320,120				1,320,120		4,264,976
							105,277,606
	2,364,566		65,911		2,430,477		5,873,333
	5,540,042				5,540,042		19,320,156
							93,703
							101,290
							8,812,214
	<u>29,276,161</u>		<u>150,267</u>		<u>29,426,428</u>		<u>187,710,876</u>
	223,063				223,063		260,900
			3,937		3,937		196,040
	<u>223,063</u>		<u>3,937</u>		<u>227,000</u>		<u>456,940</u>
	272,704,638		1,403,248		274,107,886		346,179,808
	3,054,494				3,054,494		3,054,494
	4,114,595		32,118		4,146,713		26,404,509
	5,802,954		534,913		6,337,867		53,437,285
\$	<u>285,676,681</u>	\$	<u>1,970,279</u>	\$	<u>287,646,960</u>	\$	<u>429,076,096</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Primary Government</u>			
	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for</u> <u>Services, Fees,</u> <u>Fines,</u> <u>Forfeitures</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 22,806,140	\$ 2,428,821	\$ 11,316,628	\$
Public safety	34,273,216	1,821,116	998,434	
Public works	8,120,442	1,089,885	2,707,321	
Health and welfare	4,898,721	714,581	1,109,487	
Education	57,551,947			
Culture and recreation	4,015,495	1,292,523	425,469	
Economic development	64,533			
Interest on long-term debt	3,849,760			
Total governmental activities	<u>135,580,254</u>	<u>7,346,926</u>	<u>16,557,339</u>	
Business-type activities				
Solid Waste	5,670,576	7,087,896		
Airport	4,627,530	1,129,855	6,227,957	
Nursing Home	8,831,533	8,824,705	455	
Urban Services	510,899	513,208		
Convention & Visitors Bureau	1,934,873	1,090,462	34,870	
Civic Center	4,697,551	3,244,075		
Other business-type activities	53,748	48,675		
Total business-type activities	<u>26,326,710</u>	<u>21,938,876</u>	<u>6,263,282</u>	
Total primary government	<u>\$ 161,906,964</u>	<u>\$ 29,285,802</u>	<u>\$ 22,820,621</u>	<u>\$</u>
Component Units				
Board of Education	\$ 213,033,482	\$ 1,885,459	\$ 45,370,065	\$ 13,973,223
Wicomico County Free Library	2,779,940	185,704	371,692	
Total component units	<u>\$ 215,813,422</u>	<u>\$ 2,071,163</u>	<u>\$ 45,741,757</u>	<u>\$ 13,973,223</u>

GENERAL REVENUES

Taxes

 Property taxes, levied for general purposes

 Income and other miscellaneous taxes

Grants and contributions not restricted to specific programs

Payment from Wicomico County - unrestricted contributions

Unrestricted investment earnings

Net gain (loss) on disposal of fixed assets

Miscellaneous

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>
\$ (9,060,691)	\$	\$ (9,060,691)	\$	\$	\$	\$ (9,060,691)
(31,453,666)		(31,453,666)				(31,453,666)
(4,323,236)		(4,323,236)				(4,323,236)
(3,074,653)		(3,074,653)				(3,074,653)
(57,551,947)		(57,551,947)				(57,551,947)
(2,297,503)		(2,297,503)				(2,297,503)
(64,533)		(64,533)				(64,533)
(3,849,760)		(3,849,760)				(3,849,760)
<u>(111,675,989)</u>		<u>(111,675,989)</u>				<u>(111,675,989)</u>
	1,417,320	1,417,320				1,417,320
	2,730,282	2,730,282				2,730,282
	(6,373)	(6,373)				(6,373)
	2,309	2,309				2,309
	(809,541)	(809,541)				(809,541)
	(1,453,476)	(1,453,476)				(1,453,476)
	(5,073)	(5,073)				(5,073)
	<u>1,875,448</u>	<u>1,875,448</u>				<u>1,875,448</u>
<u>\$ (111,675,989)</u>	<u>\$ 1,875,448</u>	<u>\$ (109,800,541)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (109,800,541)</u>
\$	\$	\$	\$ (151,804,735)	\$	\$ (151,804,735)	\$ (151,804,735)
				(2,222,544)	(2,222,544)	(2,222,544)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (151,804,735)</u>	<u>\$ (2,222,544)</u>	<u>\$ (154,027,279)</u>	<u>\$ (154,027,279)</u>
\$ 62,522,626	\$	\$ 62,522,626	\$	\$	\$	\$ 62,522,626
53,323,743	1,311,857	54,635,600				54,635,600
			119,866,714	15,930	119,882,644	119,882,644
			41,306,646	2,118,513	43,425,159	43,425,159
221,645	52,371	274,016		1,032	1,032	275,048
(280,245)	1,993	(278,252)				(278,252)
605,653	303,186	908,839	102,173		102,173	1,011,012
(6,554,573)	6,554,573					
<u>109,838,849</u>	<u>8,223,980</u>	<u>118,062,829</u>	<u>161,275,533</u>	<u>2,135,475</u>	<u>163,411,008</u>	<u>281,473,837</u>
<u>(1,837,140)</u>	<u>10,099,428</u>	<u>8,262,288</u>	<u>9,470,798</u>	<u>(87,069)</u>	<u>9,383,729</u>	<u>17,646,017</u>
<u>59,783,203</u>	<u>73,383,645</u>	<u>133,166,848</u>	<u>276,205,883</u>	<u>2,057,348</u>	<u>278,263,231</u>	<u>411,430,079</u>
<u>\$ 57,946,063</u>	<u>\$ 83,483,073</u>	<u>\$ 141,429,136</u>	<u>\$ 285,676,681</u>	<u>\$ 1,970,279</u>	<u>\$ 287,646,960</u>	<u>\$ 429,076,096</u>

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 54,308,622	\$ 271	\$ 39,154,760
Taxes receivable, net	726,969		
Other receivables	888,453	1,429,379	
Due from other funds	681,718	369,946	
Due from other governmental agencies	5,031,612	1,120,653	799,265
Inventories	321,744		
Prepaid expenses	476,025		
Total assets	<u>62,435,143</u>	<u>2,920,249</u>	<u>39,954,025</u>
LIABILITIES			
Accounts payable and accrued expenses	2,698,925	467,785	4,455,402
Accrued payroll and taxes	626,687	15,296	
Due to other funds		1,051,664	
Payable to other governmental agencies	319,794		
Unearned revenues	8,732	260,183	
Accrued compensated absences	343,691		
Total liabilities	<u>3,997,829</u>	<u>1,794,928</u>	<u>4,455,402</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	484,885		
Total deferred inflows of resources	<u>484,885</u>		
FUND BALANCES			
Nonspendable	797,769		
Restricted	3,186,788	1,125,321	32,183,814
Committed	12,896,555		3,314,809
Assigned	1,604,512		
Unassigned	39,466,805		
Total fund balances	<u>57,952,429</u>	<u>1,125,321</u>	<u>35,498,623</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,435,143</u>	<u>\$ 2,920,249</u>	<u>\$ 39,954,025</u>

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

<u>Recreation</u> <u>(non-major)</u>	<u>Agricultural</u> <u>Tax</u> <u>(non-major)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 1,752,698	\$ 47,507	\$ 95,263,858
		726,969
7,226		2,325,058
		1,051,664
		6,951,530
7,219		328,963
90,803		566,828
<u>1,857,946</u>	<u>47,507</u>	<u>107,214,870</u>
131,551		7,753,663
61,251		703,234
		1,051,664
		319,794
		268,915
13,454		357,145
<u>206,256</u>		<u>10,454,415</u>
	<u>47,507</u>	<u>532,392</u>
	<u>47,507</u>	<u>532,392</u>
7,219		804,988
55,998		36,551,921
		16,211,364
1,588,473		3,192,985
		39,466,805
<u>1,651,690</u>		<u>96,228,063</u>
<u>\$ 1,857,946</u>	<u>\$ 47,507</u>	<u>\$ 107,214,870</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance, governmental funds	\$	96,228,063
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.		
		84,976,183
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		202,002
Net OPEB asset		3,827,603
Other receivables		135,631
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		481,730
Deferred financing inflow - pension		(37,837)
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		106,685
Deferred charges - refunding debt		4,419,961
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		(2,510,901)
Bonds, notes, and loans payable		(111,848,976)
Accrued interest payable		(938,560)
Net pension liability		(13,780,114)
Compensated absences		(3,117,515)
Other liabilities to governmental agencies		(197,892)
Net position of governmental activities in the Statement of Net Position	\$	57,946,063

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
REVENUES			
Property taxes	\$ 62,205,279	\$	\$
Income taxes	48,859,441		
Other taxes	4,463,203		
Licenses and permits	1,364,459		
Intergovernmental	10,338,444	6,600,914	405,136
Charges for services	3,827,468	21,147	
Fines and forfeitures	41,635		
Miscellaneous	662,244	10,160	
Investment earnings	217,473	54	
Total revenues	<u>131,979,646</u>	<u>6,632,275</u>	<u>405,136</u>
EXPENDITURES			
Current			
General government	13,290,378	2,404,550	648,676
Public safety	18,461,675	494,221	545,991
Detention Center	15,015,861		
Public works	8,291,685	3,807,322	254,785
Health and welfare	3,428,609		
Social services	305,613	1,114,650	
Education	46,628,428		10,931,919
Culture and recreation	10,573	19,556	1,461,956
Economic development	64,533		
Miscellaneous	1,233,422		
Debt service			
Principal	8,643,484		
Interest and other charges	3,837,467		
Total expenditures	<u>119,211,728</u>	<u>7,840,299</u>	<u>13,843,327</u>
Excess (deficiency) of revenues over expenditures	<u>12,767,918</u>	<u>(1,208,024)</u>	<u>(13,438,191)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net			14,462,846
Refunding bonds issued			7,310,253
Payment to refunded bond escrow agent			(7,271,987)
Transfers in		71,243	2,819,923
Transfers out	(5,746,185)		
Total other financing sources (uses)	<u>(5,746,185)</u>	<u>71,243</u>	<u>17,321,035</u>
Net change in fund balances	7,021,733	(1,136,781)	3,882,844
Fund balances, as restated - beginning	50,930,696	2,262,102	31,615,779
Fund balances - ending	<u>\$ 57,952,429</u>	<u>\$ 1,125,321</u>	<u>\$ 35,498,623</u>

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

<u>Recreation</u> <u>(non-major)</u>	<u>Agricultural</u> <u>Tax</u> <u>(non-major)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$	\$	\$
		62,205,279
		48,859,441
		4,463,203
		1,364,459
		17,344,494
1,286,103		5,134,718
		41,635
2,061	4,478	678,943
4,118		221,645
<u>1,292,282</u>	<u>4,478</u>	<u>140,313,817</u>
		16,343,604
		19,501,887
		15,015,861
		12,353,792
		3,428,609
		1,420,263
3,347,313		57,560,347
		4,839,398
		64,533
	4,478	1,237,900
		8,643,484
		3,837,467
<u>3,347,313</u>	<u>4,478</u>	<u>144,247,145</u>
<u>(2,055,031)</u>		<u>(3,933,328)</u>
		14,462,846
		7,310,253
		(7,271,987)
2,427,677		5,318,843
(98,000)		(5,844,185)
<u>2,329,677</u>		<u>13,975,770</u>
274,646		10,042,442
1,377,044		86,185,621
<u>\$ 1,651,690</u>	<u>\$</u>	<u>\$ 96,228,063</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, 2016

Net change in fund balances - total governmental funds	\$ 10,042,442
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, \$10,264,731, exceeded depreciation expense, \$5,301,665, in the current period.	4,963,066
The net effect of various transactions involving capital assets (i.e. sales, transfers, trade-ins and donations on net position).	(6,326,417)
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.	(51,130)
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.	(5,571,775)
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	91,947
Accruals not reported on governmental funds:	
Accrued interest	(12,293)
Accrued post-retirement employment benefits	(4,665,179)
Accrued compensated absences	(639,987)
Other revenues	332,186
Change in net position of governmental activities	\$ (1,837,140)

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2016

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 19,308,679	\$ 1,293,438	\$ 516,221
Accounts receivable, net	632,819	220,729	1,834,165
Due from other governmental agencies		193,094	155,117
Inventories	108,429		52,094
Prepaid expenses	57,006		14,422
Total current assets	20,106,933	1,707,261	2,572,019
Non-current assets			
Advance to other funds			
Capital assets			
Construction in progress	15,881	868,493	
Intangibles	52,993	27,500	20,441
Land	176,633	6,402,061	11,156
Land improvements	995,819	1,469,186	43,541
Land disposal sites - liner costs	18,480,245		
Runways and ramps		68,722,418	
Buildings and improvements	665,012	14,568,999	3,279,163
Equipment and furniture	1,936,649	295,396	1,731,359
Vehicles	5,324,398	2,100,319	49,560
Less accumulated depreciation	(21,641,725)	(49,126,340)	(3,343,951)
Net capital assets	6,005,905	45,328,032	1,791,269
Total non-current assets	6,005,905	45,328,032	1,791,269
Total assets	26,112,838	47,035,293	4,363,288
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges - refunding debt	5,034	1,046	
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	133,507	287,292	993,525
Accrued payroll and taxes	37,461	9,046	
Due to other governmental agencies			
Unearned revenues	271,136	153,642	
Capital lease obligation	2,497	46,293	
Bonds, notes, and loans payable	59,167	89,228	55,936
Accrued interest payable	16,999	43	
Compensated absences	18,341	4,573	
Total current liabilities	539,108	590,117	1,049,461
Non-current liabilities			
Capital lease obligation	23,346	432,795	
Bonds, notes, and loans payable	978,144	97,458	
Compensated absences	165,071	41,158	
Advances from other funds			
Accrued landfill closure and post-closure costs	8,812,214		
Total non-current liabilities	9,978,775	571,411	
Total liabilities	10,517,883	1,161,528	1,049,461
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments			
NET POSITION			
Net investment in capital assets	4,947,785	44,663,304	1,735,333
Restricted			49,430
Unrestricted	10,652,204	1,211,507	1,529,064
Total net position	\$ 15,599,989	\$ 45,874,811	\$ 3,313,827

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

<u>Urban Services</u>	<u>Convention & Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 1,949,138	\$ 985,133	\$ 2,549,516	\$ 154,213	\$ 26,756,338
145,259	162,863	201,548	387,094	3,584,477
	187	37,213		348,211
	170,136	18,879		197,923
2,094,397	1,318,319	2,807,156	541,307	31,147,392
	93,703			93,703
6,029,231		911,968		7,825,573
	16,340	54,903		172,177
		1,564,318		8,154,168
1,878,754		1,288,338		5,675,638
				18,480,245
				68,722,418
	692,863	14,723,208		33,929,245
	197,077	1,028,747		5,189,228
	74,808	52,117		7,601,202
(1,737,096)	(487,040)	(10,555,934)		(86,892,086)
6,170,889	494,048	9,067,665		68,857,808
6,170,889	587,751	9,067,665		68,951,511
8,265,286	1,906,070	11,874,821	541,307	100,098,903
	586	6,684		13,350
174,911	51,061	91,884	964	1,733,144
	11,198	88,967	690	147,362
12,949				12,949
	226,110	423,080		1,073,968
	4,492	19,087		72,369
50,280	2,208	18,133		274,952
	24	1,567		18,633
	2,692	10,484	59	36,149
238,140	297,785	653,202	1,713	3,369,526
	41,997	178,443		676,581
1,949,720	6,812	130,733		3,162,867
	24,221	94,359	532	325,341
		93,703		93,703
				8,812,214
1,949,720	73,030	497,238	532	13,070,706
2,187,860	370,815	1,150,440	2,245	16,440,232
188,948				188,948
4,170,889	439,125	8,727,953		64,684,389
83,595				133,025
1,633,994	1,096,716	2,003,112	539,062	18,665,659
\$ 5,888,478	\$ 1,535,841	\$ 10,731,065	\$ 539,062	\$ 83,483,073

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 7,087,896	\$ 1,129,855	\$ 8,656,162
Other operating revenue			168,543
Total operating revenues	7,087,896	1,129,855	8,824,705
OPERATING EXPENSES			
Personnel services	2,600,257	513,593	5,723,139
Contractual services	229,638	43,425	1,588,872
Utilities	104,566	135,607	270,834
Repairs and maintenance	926,576	231,753	69,372
Other supplies and expenses	243,364	98,924	948,317
Insurance claims and expenses	24,379	46,760	63,729
Provision for post-closure costs	454,441		
Direct costs of events			
Depreciation	1,049,646	3,556,415	167,270
Total operating expenses	5,632,867	4,626,477	8,831,533
Operating income (loss)	1,455,029	(3,496,622)	(6,828)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	37,532	5,952	1,808
Miscellaneous revenue	21,468	490	27,606
Grants and contributions		6,227,957	455
Passenger facility charges, net of fees		248,148	
Interest expense	(37,709)	(578)	
Miscellaneous expense		(475)	
Net non-operating revenue	21,291	6,481,494	29,869
Income (loss) before contributions and transfers	1,476,320	2,984,872	23,041
Transfers in			
Transfers out			
Gain on disposal of capital assets		1,993	
Change in net position	1,476,320	2,986,865	23,041
Total net position - beginning, as restated	14,123,669	42,887,946	3,290,786
Total net position - ending	\$ 15,599,989	\$ 45,874,811	\$ 3,313,827

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>
\$ 513,208	\$ 1,090,462	\$ 210,048	\$ 48,675	\$ 17,645,844
		3,034,027		4,293,032
<u>513,208</u>	<u>1,090,462</u>	<u>3,244,075</u>	<u>48,675</u>	<u>21,938,876</u>
	586,265	1,940,490	49,732	11,413,476
4,100	22,432	71,866	200	1,960,533
422,195	21,555	287,740	216	1,242,713
	44,791	144,335		1,416,827
56,088	80,904	40,441	3,600	1,471,638
	325	14,256		149,449
				454,441
	1,139,685	1,640,210		2,779,895
11,887	38,593	555,985		5,379,796
<u>494,270</u>	<u>1,934,550</u>	<u>4,695,323</u>	<u>53,748</u>	<u>26,268,768</u>
<u>18,938</u>	<u>(844,088)</u>	<u>(1,451,248)</u>	<u>(5,073)</u>	<u>(4,329,892)</u>
4,838	13	2,228		52,371
	1,004,965	312,362	4	1,366,895
	34,870			6,263,282
				248,148
(16,628)	(324)	(2,228)		(57,467)
				(475)
<u>(11,790)</u>	<u>1,039,524</u>	<u>312,362</u>	<u>4</u>	<u>7,872,754</u>
<u>7,148</u>	<u>195,436</u>	<u>(1,138,886)</u>	<u>(5,069)</u>	<u>3,542,862</u>
6,029,231	4,348	716,566		6,750,145
	(117,112)	(78,460)		(195,572)
				1,993
<u>6,036,379</u>	<u>82,672</u>	<u>(500,780)</u>	<u>(5,069)</u>	<u>10,099,428</u>
<u>(147,901)</u>	<u>1,453,169</u>	<u>11,231,845</u>	<u>544,131</u>	<u>73,383,645</u>
<u>\$ 5,888,478</u>	<u>\$ 1,535,841</u>	<u>\$ 10,731,065</u>	<u>\$ 539,062</u>	<u>\$ 83,483,073</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,039,947	\$ 1,673,276
Payments to suppliers for goods and services	(1,490,593)	(818,109)
Payments to employees for services	(2,650,592)	(520,307)
Net cash provided (used) by operating activities	2,898,762	334,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers		
(Increase) decrease in due from/advances from other funds		
Other income (expense)	21,468	17
Net cash provided (used) by noncapital financing activities	21,468	17
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(37,438)	(586)
Acquisition and construction of capital assets	(25,111)	(6,559,165)
Proceeds from issuance of bonds		
Principal payments on notes and bonds payable	(141,403)	(134,051)
Proceeds from sale of capital assets, net of expenses		1,993
Capital grants		6,227,957
Passenger facility charges, net of fees		248,148
Net cash provided (used) by capital and related financing activities	(203,952)	(215,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	37,532	5,952
Net cash provided by investing activities	37,532	5,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,753,810	125,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,554,869	1,168,313
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,308,679	\$ 1,293,438
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,455,029	\$ (3,496,622)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,049,646	3,556,415
Provision for bad debt		
Landfill closure and post-closure cost	454,441	
Deferred inflow - unavailable revenue		
Changes in assets and liabilities:		
Accounts receivable	(98,512)	74,074
Other receivables		460,985
Prepaid expenses	499	
Due to/from other governmental agencies		
Inventories	5,359	
Accounts payable and accrued expenses	(18,263)	(268,354)
Unearned revenues	50,563	8,362
Net cash provided (used) by operating activities	\$ 2,898,762	\$ 334,860

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 8,650,657	\$ 512,069	\$ 1,166,207	\$ 3,555,012	\$ 52,898	\$ 22,650,066
(4,859,787)	(402,683)	(1,456,411)	(2,210,807)	(3,276)	(11,241,666)
(4,019,591)		(586,376)	(1,986,688)	(50,254)	(9,813,808)
(228,721)	109,386	(876,580)	(642,483)	(632)	1,594,592
		(112,764)	638,106		525,342
	(1,016,858)	14,988	(14,987)		(1,016,857)
33,774		1,004,964	313,153	4	1,373,380
33,774	(1,016,858)	907,188	936,272	4	881,865
	(16,628)	(329)	(5,057)		(60,038)
(50,489)			(777,595)		(7,412,360)
	2,000,000				2,000,000
		(6,589)	(33,115)		(315,158)
		34,870			1,993
					6,262,827
					248,148
(50,489)	1,983,372	27,952	(815,767)		725,412
1,808	4,838	13	2,228		52,371
1,808	4,838	13	2,228		52,371
(243,628)	1,080,738	58,573	(519,750)	(628)	3,254,240
759,849	868,400	926,560	3,069,266	154,841	23,502,098
\$ 516,221	\$ 1,949,138	\$ 985,133	\$ 2,549,516	\$ 154,213	\$ 26,756,338
\$ (6,828)	\$ 18,938	\$ (844,088)	\$ (1,451,248)	\$ (5,073)	\$ (4,329,892)
167,270	11,887	38,593	555,985		5,379,796
470,513					470,513
					454,441
	412				412
(868,298)	(1,137)	(6,612)	46,399		(854,086)
(24,284)					436,701
(14,422)		(164,918)	(18,879)		(197,720)
230,877	(1,608)				229,269
(1,796)			12,365		15,928
(181,753)	80,894	18,088	(51,643)	4,441	(416,590)
		82,357	264,538		405,820
(228,721)	109,386	(876,580)	(642,483)	(632)	1,594,592

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2016

	<u>Agency</u> <u>Funds</u>	<u>Pension</u> <u>Trust Fund</u>	<u>Health</u> <u>Care Trust</u> <u>Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,318,277	\$ 5,186,459	\$ 1,616,686	\$ 10,121,422
Investments		55,665,445	17,513,941	73,179,386
Accounts receivable	93,646			93,646
Total assets	<u>3,411,923</u>	<u>60,851,904</u>	<u>19,130,627</u>	<u>83,394,454</u>
LIABILITIES				
Accounts payable	723,894			723,894
Held on the behalf of others	2,688,029			2,688,029
Total liabilities	<u>3,411,923</u>			<u>3,411,923</u>
Change in net position				
Held in trust for retirement benefits		<u>60,851,904</u>	<u>19,130,627</u>	<u>79,982,531</u>
Total net position	<u>\$</u>	<u>\$ 60,851,904</u>	<u>\$ 19,130,627</u>	<u>\$ 79,982,531</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, 2016

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 3,090,017	\$ 3,339,445	\$ 6,429,462
Investment earnings			
Net decrease in fair value of investments	(1,302,567)	(203,538)	(1,506,105)
Total net investment earnings	(1,302,567)	(203,538)	(1,506,105)
Total additions	<u>1,787,450</u>	<u>3,135,907</u>	<u>4,923,357</u>
 DEDUCTIONS			
Benefits	3,558,505		3,558,505
Administrative	73,673	58,365	132,038
Total deductions	<u>3,632,178</u>	<u>58,365</u>	<u>3,690,543</u>
Change in net position	(1,844,728)	3,077,542	1,232,814
Net position - beginning	<u>62,696,632</u>	<u>16,053,085</u>	<u>78,749,717</u>
Net position - ending	<u>\$ 60,851,904</u>	<u>\$ 19,130,627</u>	<u>\$ 79,982,531</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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, 2016

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—net investment in capital assets; 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, 2016

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.
- 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 non-major special revenue fund used to account for activities at Recreation and Parks.

The County's other 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016, the County's share was \$9,480,983.

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, 2016

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, 2016.

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, 2016

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, 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 net realizable value 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<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, 2016

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 2017. 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 \$237,843. 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, 2016 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, 2016, both local property taxes receivable and due to other governments included \$240,124 due on behalf of and to the City of Salisbury.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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	\$	476,025
Roads inventory reserve		321,744
Total		\$ 797,769

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	\$	1,832,342
Early retiree reinsurance program		7,134
Health care rate stabilization		1,347,312
Total		\$ 3,186,788

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	\$	6,147,770
Commitments and emergencies		6,748,785
Total		\$ 12,896,555

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	166,603
Self-insurance	939,474
GIS mapping	49,023
Drill academy	59,814
Roads surcharge	41,800
Wynne tax case	237,843
Total	\$ 1,604,512

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

Unassigned	\$ 39,466,805
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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. Net investment in capital assets – 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, 2016

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Management has evaluated subsequent events through December 20, 2016, the date the financial statements were available to be issued.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Wicomico County

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

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

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

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

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

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

At June 30, 2016, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$122,020,196 and the bank balance was \$125,312,033. All deposits are carried at cost plus accrued interest. Of the bank balance \$109,204,532 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>.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The remaining deposits of \$16,107,501 were exposed to custodial credit risk as follows:

FDIC coverage	\$	756,140
Uninsured and collateral held by the pledging financial institution but not in the County's name		5,615,359
Uninsured and collateral held by the pledging institutions trust department but not in the County's name		9,114,631
Uninsured and uncollateralized		621,371
		\$ 16,107,501

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, 2016, \$621,371 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.

Fair value of investments

The County measures and records its investments using fair value guidelines established by generally accepted accounting principles. Assets recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following are assets that were accounted for at fair value on a recurring basis as of June 30, 2016:

	Fair value using:		
	Level 1	Level 2	Level 3
Maryland Local Government Investment Pool	\$	\$ 109,204,532	\$

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Maryland Local Government Investment Pool (Level 2) – The County determines fair value for the MLGIP using observable inputs other than quoted market prices. The investment is reported at amortized cost which approximates the fair value.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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 87% of total cash as of June 30, 2016.

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 87% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2016, the actual yield of the MLGIP is estimated to be 0.11%. 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, 2016, the carrying amount of the County's cash deposits held on behalf of agency funds was \$3,318,277 and the bank balance was \$3,376,622. Of the bank balance, \$389,365 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%. 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:

	Pension Trust Fund		Health Care Trust Fund GASB 45
	BNY Mellon	Aetna	BNY Mellon
Cash and cash equivalents	\$ 5,021,604	\$ 164,855	\$ 1,616,686
Government bonds	7,205,220		2,729,486
Fixed income		2,855,338	
Corporate bonds	9,843,491		3,089,914
Equities	35,761,396		11,694,541
Total	<u>\$ 57,831,711</u>	<u>\$ 3,020,193</u>	<u>\$ 19,130,627</u>

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, 2016**

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, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

At June 30, 2016, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 300,860	\$ 4,532,870
Investments - cash equivalents	24,951,174	24,951,174

At June 30, 2016, the Board had bank deposits totaling \$4,532,870 with a carrying value of \$300,860. 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, 2016, 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	4,282,870
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 4,532,870

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 \$24,951,174 at June 30, 2016 with \$4,665,397 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, 2016

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:

	Pension Trust		401(a)	Retiree Health	Total
	BNY Mellon	AETNA	Janus	Plan Trust	
				BNY Mellon	
Cash and equivalents	\$ 1,564,329	\$ 30,855	\$ 99,330	\$ 2,072,917	\$ 3,767,431
Government bonds	2,251,485	51,219	348,870	2,010,874	4,662,448
Commercial paper (less than 1 year)		215,630			215,630
Mortgage loans		321,042	445,680		766,722
Corporate bonds	3,434,879	1,139,613	522,418	2,531,030	7,627,940
Common stock	11,687,677		2,161,948	9,846,953	23,696,578
Other			80,492		80,492
Total	<u>\$ 18,938,370</u>	<u>\$ 1,758,359</u>	<u>\$ 3,658,738</u>	<u>\$ 16,461,774</u>	<u>\$ 40,817,241</u>

Corporate bonds held at June 30, 2016 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	Pension Trust		401(a)	Retiree Health
	BNY Mellon	AETNA	Janus	Plan Trust BNY Mellon
AAA	5.85%		25.67%	5.79%
AA+	5.40%			5.86%
AA	9.83%		24.69%	10.24%
AA-	16.12%			21.61%
A+	18.46%	20.97%		18.12%
A	28.02%		6.30%	30.26%
A-	6.22%	38.71%		2.75%
BBB+	5.96%	19.35%		3.91%
BBB	4.14%		32.52%	1.46%
BBB-		20.97%		
BB			7.56%	
B			1.14%	
Not Rated			2.12%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

Pension Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2016 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
\$	185,000	Berkshire Hathaway	1.60%	05/15/17
\$	185,000	Caterpillar Inc.	5.45%	04/15/18
\$	200,000	Charles Schwab Corp.	4.45%	07/22/20
\$	200,000	Cisco Systems Inc.	2.13%	03/01/19
\$	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
\$	175,000	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
\$	60,000	Nucor Corp.	5.75%	12/01/17
\$	150,000	PepsiCo Inc.	7.90%	11/01/18
\$	100,000	Pfizer Inc.	6.20%	03/15/19
\$	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
\$	95,000	The Walt Disney Company	1.35%	08/16/16
\$	170,000	United Parcel Service	5.50%	01/15/18
\$	50,000	United Technologies Corp.	5.38%	12/15/17

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

AETNA:

Corporate bond issues held at June 30, 2016 are as follows:

	<u>Percent of Holdings</u>
Kinder Morgan Inc.	20.98%
Berkshire Hathaway Inc.	20.97%
Bank of America Corp.	19.35%
Duke Energy	19.35%
Credit Suisse Group AG	19.35%

401(a):

Janus:

Corporate bond issues held at June 30, 2016 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 5.56 years	

Retiree Health Plan Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2016 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
\$	145,000	Berkshire Hathaway	1.60%	05/15/17
\$	135,000	Caterpillar Inc.	5.45%	04/15/18
\$	150,000	Charles Schwab Corp.	4.45%	07/22/20
\$	160,000	Cisco Systems Inc.	2.13%	03/01/19
\$	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
\$	140,000	General Electric Co.	5.25%	12/06/17
\$	50,000	GTE Corp	6.84%	04/15/18
\$	60,000	IBM Corp.	5.70%	09/14/17
\$	45,000	Intel Corp.	1.95%	10/01/16

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

BNY Mellon (Continued):

	Par Value	Description	Coupon Rate	Due
\$	135,000	Johnson & Johnson	5.15%	07/15/18
\$	150,000	MasterCard Inc.	2.00%	04/01/19
\$	20,000	Nucor Corp.	5.75%	12/01/17
\$	80,000	PepsiCo Inc.	7.90%	11/01/18
\$	100,000	Pfizer Inc.	6.20%	03/15/19
\$	35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	150,000	Qualcomm Inc.	3.00%	05/20/22
\$	150,000	Toyota Motor Corp.	2.00%	10/24/18
\$	60,000	The Walt Disney Company	1.35%	08/16/16
\$	135,000	United Parcel Service	5.50%	01/15/18
\$	15,000	United Technologies Corp.	5.38%	12/15/17

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.

Investment pool - MLGIP

The Library is a participant in the Maryland Local Government Investment Pool (MLGIP). The MLGIP was established pursuant to State Law. It is administered by the State Treasurer and managed by a Maryland bank. Deposits of the MLGIP, although not insured by the FDIC, comply with article 95 of the Annotated Code of Maryland and is rated "AAAm" by Standard and Poor's.

The MLGIP operates and reports to participants on an amortized cost basis. Income, gains, and losses of the MLGIP, net of administration fees, are allocated based upon the participant's average daily basis. The fair value of the MGLIP investment pool is approximately equal to the value of the pool shares. There are no limitations or restrictions on withdrawals from the pool. On any given business day, participants may withdraw any amount up to their total principal value if notification is made prior to 2:00 pm.

The MLGIP issue a publicly available financial report which can be found at www.mlgip.pnc.com.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

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, 2016 was \$12,628 and is included in cash and investments in the Gifts and Memorials Fund. Of this amount, \$2,414 is available to be drawn down by the Library, which leaves a balance of \$10,214 for investment. Activity in the endowment fund for the year is as follows:

Balance, beginning of year	\$ 12,876
Loss	(248)
Balance, end of year	<u>\$ 12,628</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, 2016 was \$9,941 and is included in the restricted fund balance.

Balance, beginning of year	\$ 9,834
Income	107
Balance, end of year	<u>\$ 9,941</u>

Fair value of investments

The Library measures and records its investments using fair value guidelines established by generally accepted accounting principles. Assets recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

Fair value of investments (continued)

The following are assets that were accounted for at fair value on a recurring basis as of June 30, 2016:

	Fair value using:		
	Level 1	Level 2	Level 3
Maryland Local Government Investment Pool	\$	\$ 1,806,634	\$
Wicomico Public Library Endowment Fund			12,628
Wicomico Public Library Non-endowed Fund			9,941
	<u>\$</u>	<u>\$ 1,806,634</u>	<u>\$ 22,569</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Maryland Local Government Investment Pool (Level 2) – The Library determines fair value for the MLGIP using observable inputs other than quoted market prices. The investment is reported at amortized cost which approximates the fair value.

Wicomico Public Library Endowment Fund and Non-endowed Fund (Level 3) – Assets held at the Community Foundation of the Eastern Shore (CFES) have been valued at the fair value of the Library’s share of the CFES’s investment pool. The estimated values are determined by the management of the CFES and may not reflect amounts that could be realized upon immediate sale. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The following table represents a reconciliation of the activities for Level 3 financial investments:

Balance, beginning of year	\$ 22,710
Loss	(141)
Balance, end of year	<u>\$ 22,569</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$481,730.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2016 are as follows:

	Governmental Activities				
	General Fund	Grants Fund	Capital Projects	Other	Total
Receivables					
Taxes receivable	\$ 1,956,763	\$	\$	\$ 8,220	\$ 1,964,983
Notes receivable	202,002				202,002
Due from other governmental agencies	5,153,503	1,120,653	799,265		7,073,421
Other receivables	858,567	1,429,379		5,425	2,293,371
Gross receivables	8,170,835	2,550,032	799,265	13,645	11,533,777
Less allowance for uncollectibles	1,192,587				1,192,587
Net total receivables	<u>\$ 6,978,248</u>	<u>\$ 2,550,032</u>	<u>\$ 799,265</u>	<u>\$ 13,645</u>	<u>\$ 10,341,190</u>
	Business-Type Activities				
	Solid Waste	Airport	Nursing Home	Other	Total
Receivables					
Accounts receivable	\$ 629,315	\$ 220,729	\$ 1,834,165	\$ 837,715	\$ 3,521,924
Due from other governmental agencies		193,094	155,117		348,211
Other receivables	3,504			59,049	62,553
Gross receivables	632,819	413,823	1,989,282	896,764	3,932,688
Less allowance for uncollectibles					
Net total receivables	<u>\$ 632,819</u>	<u>\$ 413,823</u>	<u>\$ 1,989,282</u>	<u>\$ 896,764</u>	<u>\$ 3,932,688</u>

Receivables for The Board of Education of Wicomico County and The Wicomico County Free Library as of June 30, 2016 are \$10,648,581 and \$28,728, respectively.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 6,499,654	\$	\$	\$	\$ 6,499,654
Intangibles	8,890,894				8,890,894
Construction in progress	11,297,161	8,500,929	(120,776)	(11,649,724)	8,027,590
Total capital assets not being depreciated	26,687,709	8,500,929	(120,776)	(11,649,724)	23,418,138
Capital assets being depreciated					
Infrastructure	171,019,066	1,029,062		4,521,164	176,569,292
Land improvements	1,509,546	38,807			1,548,353
Buildings and improvements	44,778,723	286,891	(171,126)	881,917	45,776,405
Machinery, office furniture and equipment	9,393,692	315,005	(49,413)	68,657	9,727,941
Intangibles	1,909,371	51,781		30,391	1,991,543
Vehicles	13,612,697	277,087	(292,130)	103,278	13,700,932
Total capital assets being depreciated	242,223,095	1,998,633	(512,669)	5,605,407	249,314,466
Total capital assets	\$ 268,910,804	\$ 10,499,562	\$ (633,445)	\$ (6,044,317)	\$ 272,732,604
Accumulated depreciation					
Infrastructure	\$ (134,247,839)	\$ (2,563,736)	\$	\$	\$ (136,811,575)
Land improvements	(806,895)	(61,943)			(868,838)
Buildings and improvements	(27,883,301)	(1,294,430)	14,260		(29,163,471)
Machinery, office furniture and equipment	(7,124,976)	(446,952)	49,413		(7,522,515)
Intangibles	(1,711,215)	(135,844)			(1,847,059)
Vehicles	(11,020,237)	(798,760)	272,586	3,448	(11,542,963)
Total accumulated depreciation	(182,794,463)	(5,301,665)	336,259	3,448	(187,756,421)
Governmental activities capital assets, net	\$ 86,116,341	\$ 5,197,897	\$ (297,186)	\$ (6,040,869)	\$ 84,976,183

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government (continued)

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 8,154,168	\$	\$	\$	\$ 8,154,168
Intangibles	62,500				62,500
Construction in progress	4,211,756	7,234,560		(3,620,743)	7,825,573
Total capital assets not being depreciated	12,428,424	7,234,560		(3,620,743)	16,042,241
Capital assets being depreciated					
Land improvements	5,155,994			519,644	5,675,638
Land disposal sites - liner costs	18,480,245				18,480,245
Runways and ramps	59,729,717			8,992,701	68,722,418
Buildings and improvements	33,750,761	40,856		137,628	33,929,245
Machinery, office furniture and equipment	5,087,094	102,134			5,189,228
Intangibles	109,677				109,677
Vehicles	7,569,572	31,473	(20,655)	20,812	7,601,202
Total capital assets being depreciated	129,883,060	174,463	(20,655)	9,670,785	139,707,653
Total capital assets	\$ 142,311,484	\$ 7,409,023	\$ (20,655)	\$ 6,050,042	\$ 155,749,894
Accumulated depreciation					
Land improvements	\$ (2,459,353)	\$ (109,506)	\$	\$	\$ (2,568,859)
Land disposal sites - liner costs	(13,531,868)	(824,730)			(14,356,598)
Runways and ramps	(34,613,689)	(3,077,858)			(37,691,547)
Buildings and improvements	(20,480,941)	(919,153)			(21,400,094)
Machinery, office furniture and equipment	(3,978,807)	(174,522)			(4,153,329)
Intangibles	(111,477)				(111,477)
Vehicles	(6,339,336)	(274,027)	20,655	(17,474)	(6,610,182)
Total accumulated depreciation	(81,515,471)	(5,379,796)	20,655	(17,474)	(86,892,086)
Business-type activities capital assets, net	\$ 60,796,013	\$ 2,029,227	\$	\$ 6,032,568	\$ 68,857,808

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS (Continued)

Primary Government (continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 773,751
Public Safety	909,140
Public Works	3,104,224
Health & Welfare	67,054
Culture & Recreation	447,496
Total depreciation expense – governmental activities	<u>\$ 5,301,665</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 224,916
Solid Waste – land disposal sites	824,730
Salisbury – Ocean City: Wicomico Regional Airport	3,556,415
Nursing Home	167,270
Urban Services	11,887
Convention & Visitors Bureau	38,593
Civic Center	555,985
Total depreciation expense – business-type activities	<u>\$ 5,379,796</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 4,079,740	\$	\$	\$	\$ 4,079,740
Construction in progress	66,212,904	14,423,602		(8,766,394)	71,870,112
Total capital assets not being depreciated	70,292,644	14,423,602		(8,766,394)	75,949,852
Capital assets being depreciated					
Buildings and improvements	269,073,431	80,048		8,646,485	277,799,964
Furniture and equipment	38,381,582	2,999,076	(381,255)	119,909	41,119,312
Vehicles	2,486,864	722,207			3,209,071
Total capital assets being depreciated	309,941,877	3,801,331	(381,255)	8,766,394	322,128,347
Total capital assets	\$ 380,234,521	\$ 18,224,933	\$ (381,255)	\$	\$ 398,078,199
Less accumulated depreciation					
Buildings and improvements	(83,465,796)	(6,501,824)			(89,967,620)
Furniture and equipment	(28,573,944)	(3,460,931)	381,255		(31,653,620)
Vehicles	(1,377,373)	(250,389)			(1,627,762)
Total accumulated depreciation	(113,417,113)	(10,213,144)	381,255		(123,249,002)
Total capital assets, being depreciated, net	196,524,764	(6,411,813)		8,766,394	198,879,345
Governmental activities capital assets, net	<u>\$ 266,817,408</u>	<u>\$ 8,011,789</u>	<u>\$</u>	<u>\$</u>	<u>\$ 274,829,197</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 2,220,554	\$ 80,792	\$ (4,046)	\$	\$ 2,297,300
Accumulated depreciation	(1,790,222)	(55,215)	4,046		(1,841,391)
Business-type activities capital assets, net	<u>\$ 430,332</u>	<u>\$ 25,577</u>	<u>\$</u>	<u>\$</u>	<u>\$ 455,909</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 170,430
Instructional Services	9,113,181
Special Education	38,198
Student Personnel Services	15,056
Health Services	7,314
Student transportation	218,309
Operation of plant and equipment	589,564
Maintenance of plant	54,620
Community Services	6,472
Total governmental depreciation expense	10,213,144

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

Food service	55,215
Total business-type depreciation expense	55,215
Total depreciation expense	\$ 10,268,359

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

CAPITAL ASSETS (Continued)

Wicomico County Free Library

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Assets not being depreciated				
Land	\$ 80,820	\$	\$	\$ 80,820
Other capital assets				
Building & improvements	2,547,903	5,345		2,553,248
Furniture and equipment	1,375,390	24,293	30,688	1,368,995
Bookmobile	178,634			178,634
Total capital assets	4,182,747	29,638	30,688	4,181,697
Less accumulated depreciation	3,294,776	95,975	30,688	3,360,063
Net capital assets	\$ 887,971	\$ (66,337)	\$	\$ 821,634

LIBRARY COLLECTIONS

Library collections and related accumulated amortization activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Cost	\$ 1,443,403	\$ 182,633	\$ 262,893	\$ 1,363,143
Less accumulated amortization	862,732	181,690	262,893	781,529
Net Library collections	\$ 580,671	\$ 943	\$	\$ 581,614

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 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, 2016 is \$93,703.

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 primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	\$ 3,338,533

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$	\$ 71,243	\$ 2,819,923	\$ 2,267,953	\$	\$ 587,066	\$	\$ 5,746,185
Grants	(71,243)						6,029,231	5,957,988
Capital Projects	(2,819,923)							(2,819,923)
Recreation	(2,267,953)				(85,612)	23,888		(2,329,677)
Convention & Visitors Bureau				85,612		27,152		112,764
Civic Center	(587,066)			(23,888)	(27,152)			(638,106)
Total	\$ (5,746,185)	\$ 71,243	\$ 2,819,923	\$ 2,329,677	\$ (112,764)	\$ 638,106	\$ 6,029,231	\$ 6,029,231

During the year ended June 30, 2016, the Grants fund transferred construction in progress relating to the Morris Mill project to the Urban Services fund. The Grants fund, with its current financial resources measurement focus, is unable to report the transfer out of fixed assets to Urban Services. Therefore, Urban Services has no choice to record a transfer in with no matching transfer out in the Grants fund.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 was \$184,029,000. The original amount of general obligation bonds after refunding that remain outstanding as of June 30, 2016 was \$162,504,000.

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, 2016 was \$213,280,042. The remaining debt authority after considering various debt obligations of \$115,230,858 was \$98,049,184: 54% 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 \$118,546,647. 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 \$55,936, is removed from total primary government debt and is also excluded from the County's limitation on bonded debt.

On November 3, 2015, the County issued \$19,715,000 in General Obligation Bonds with an average interest rate of 4.00 percent to fund the purchase of United States Treasury Bills and United States Treasury Notes which will be placed in an irrevocable trust together with an initial cash deposit to be used solely to refund that portion of the County's General Obligation Public Improvement Bonds of 2007. Part of the purpose of issuing the new bonds was to provide advance refunding of the County's outstanding Public Improvement Bonds of 2007 that mature on December 1, 2018-2022, inclusive, which were currently outstanding with the aggregate principal amount of \$6,645,000 (the Refunded Bonds) and paying the costs of issuance of the Bond. The 2007 Bonds were originally issued in the aggregate principal amount of \$16,675,000 on December 1, 2007. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of old debt of \$626,987. This difference, reported in the accompanying financial statements as a deferred charge in refunding, is being charged to operations through the year 2035 using the straight-line method. The County completed the advanced refunding to reduce its total debt service payments over the next 20 years by \$363,201 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$337,404.

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2016:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	1.0-6.12%	\$ 101,759,634	\$ 19,715,000	\$ (15,353,665)	\$ 106,120,969	\$ 9,734,237
Add issuance premiums		4,023,236	2,058,098	(353,327)	5,728,007	
Total bonds payable		105,782,870	21,773,098	(15,706,992)	111,848,976	9,734,237
Total bonds and loans payable		105,782,870	21,773,098	(15,706,992)	111,848,976	9,734,237
Capital lease obligations	*	2,745,430		(234,528)	2,510,902	242,627
Governmental activity long-term liabilities, primary government		108,528,300	21,773,098	(15,941,520)	114,359,878	9,976,864
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.5-3.9%	1,273,185	2,000,000	(80,454)	3,192,731	133,726
Add issuance premiums		21,073		(2,501)	18,572	
Total bonds payable		1,294,258	2,000,000	(82,955)	3,211,303	133,726
Other loans payable						
Maryland DBED loan	3.00%	255,869		(85,290)	170,579	85,290
Maryland DHMH loan	0.00%	50,223	5,713		55,936	55,936
Other loans payable		306,092	5,713	(85,290)	226,515	141,226
Total bonds and loans payable		1,600,350	2,005,713	(168,245)	3,437,818	274,952
Capital lease obligations	*	898,368		(149,417)	748,951	72,369
Business-type activity long-term liabilities, primary government		2,498,718	2,005,713	(317,662)	4,186,769	347,321
Less: Nursing Home		(50,223)	(5,713)		(55,936)	(55,936)
Business-type activity long-term liabilities, primary government		2,448,495	2,000,000	(317,662)	4,130,833	291,385
Total debt, primary government		110,976,795	23,773,098	(16,259,182)	118,490,711	10,268,249
* Debt not subject to limitation		(3,643,798)		383,945	(3,259,853)	(314,996)
Debt subject to limitation		\$ 107,332,997	\$ 23,773,098	\$ (15,875,237)	\$ 115,230,858	\$ 9,953,253

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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):

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 9,734,237	\$ 3,914,845	\$ 133,726	\$ 76,852
2018	9,450,356	3,560,093	136,866	74,273
2019	8,820,220	3,210,594	133,963	70,487
2020	8,401,466	2,849,088	130,696	66,642
2021	7,761,599	2,555,059	106,560	63,105
2022-2026	25,001,584	9,206,316	510,826	266,460
2027-2031	20,419,211	5,107,852	536,077	197,764
2032-2036	14,951,189	1,416,559	552,689	134,976
2037-2041	1,581,107	109,360	537,340	70,752
2042-2046			413,988	24,607
Total debt service requirements	\$ 106,120,969	\$ 31,929,766	\$ 3,192,731	\$ 1,045,918

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

Year	Business-type Activities	
	Principal	Interest
2017	85,290	5,117
2018	85,289	2,558
Total debt service requirements	\$ 170,579	\$ 7,675

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 2016, so there was no payment of principal or interest required in fiscal year 2016.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 is \$3,259,852.

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Primary Government	
	Governmental Activities	Business-type Activities
2017	\$ 326,546	\$ 97,402
2018	326,546	97,402
2019	326,546	97,402
2020	326,546	97,402
2021	326,546	97,402
2022-2027	1,306,177	389,608
	2,938,907	876,618
Amounts representing interest	(428,007)	(127,666)
Present value of future minimum lease payments	\$ 2,510,900	\$ 748,952

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

Governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 2,238,529	\$ 1,952,722	\$ 1,656,260	\$ 2,534,991	\$ 1,237,733

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 67,849	\$	\$ 22,372	\$ 45,477	\$ 22,615

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.

The following is an analysis of equipment currently being leased under capital leases as of June 30, 2016:

Governmental activities:		Capital Assets
Vehicles:		
	2014	\$ 122,611
	2015	122,993
	2016	121,179
Computers:		
	2014	1,637,052
	2015	1,154,121
	2016	1,831,543
Total		<u>\$ 4,989,499</u>
Business-type activities:		
Equipment:		
	2015	<u>\$ 90,960</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Approximate future minimum lease payments for the Board of Education are as follows:

Governmental activities:

	<u>Year Ending</u> <u>June 30</u>	<u>Board of</u> <u>Education</u>
	2017	1,268,989
	2018	822,739
	2019	498,250
Less: amounts representing interest		<u>(54,987)</u>
Present value of future minimum lease payments		<u>\$ 2,534,991</u>

Business-type activities:

	<u>Year Ending</u> <u>June 30</u>	<u>Board of</u> <u>Education</u>
	2017	23,111
	2018	23,111
Less: amounts representing interest		<u>(745)</u>
Present value of future minimum lease payments		<u>\$ 45,477</u>

HEALTH INSURANCE RESERVES

The County entered into a public entities health care consortium with the Board of Education and the City of Salisbury during fiscal year 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

HEALTH INSURANCE RESERVES (Continued)

For the year ended June 30, 2016, the health care insurance reserve had the following activity:

Balance at July 1, 2015		\$ 1,307,206
Interest earned (net of expenditures)		2,341
County share of health rate rebates		<u>(665,230)</u>
Balance of reserve June 30, 2016 before cap computation		\$ 644,317
Health care premium paid through 8/31/15	\$ 9,623,659	
Maximum required reserve balance equals 14% prior year premium	\$ 1,347,312	
Shortage in health care reserve balance transferred from Unassigned Fund		
Balance		<u>702,995</u>
Rate stabilization reserve balance at June 30, 2016		<u>\$ 1,347,312</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 \$702,995 was transferred from 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.

Health Care <u>Period Ending</u>	<u>Premium Paid</u>	Full <u>Funding Amount</u>
August 31, 2015	\$9,623,659	\$736,151
August 31, 2014	\$9,337,188	
August 31, 2013	\$8,644,828	

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, 2015, the County's total share of the consortium's settlement was a deficit of \$665,230. The RSR for the health care plan is maintained within the general fund.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

HEALTH INSURANCE RESERVES (Continued)

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, 2016, the health care insurance reserve had the following activity:

Balance at July 1, 2015	\$	4,414,258
Subsidy for rate increase		(1,200,000)
Insurance settlement – 2015		1,567,345
Interest earned		10,836
Consulting and other expenditures		(127,042)
		(127,042)
Balance at June 30, 2016	\$	4,665,397

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, 2015, the Board’s share of the consortium’s settlement was a surplus of \$1,567,345. These amounts were included as other financing sources (uses) during the year ended June 30, 2016.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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 \$101,290. The total balance due as of June 30, 2016 was \$197,892, with the short-term portion being \$96,602.

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2016, there is no potential liability to be paid to the federal government during fiscal year 2016, based on interest rates and disbursement of bond proceeds. The County has \$108,955 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, 2016

ACCRUED COMPENSATED ABSENCES (Continued)

Changes in accrued compensated absences for the year ended June 30, 2016 are as follows:

	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>June 30, 2016</u>
Primary government:			
Governmental activities	\$ 3,452,424	\$ 22,236	\$ 3,474,660
Business-type activities	388,529	(27,039)	361,490
Total primary government	<u>\$ 3,840,953</u>	<u>\$ (4,803)</u>	<u>\$ 3,836,150</u>
	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>June 30, 2016</u>
Component units:			
Board of Education of Wicomico Co.	\$ 2,695,895	\$ (60,872)	\$ 2,635,023
Wicomico County Free Library	134,284	(6,026)	128,258
Total component units	<u>\$ 2,830,179</u>	<u>\$ (66,898)</u>	<u>\$ 2,763,281</u>

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, 2016**

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, 2015, the latest actuarial valuation date.

Active eligible	651
Terminated with vested	44
Retired	208
	903

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 10.17% 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, 2016:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	31%
Equities	60%
Cash	9%

The approximate annual money-weighted rate of return on pension plan investments for the year ended June 30, 2016 net of pension plan investment expense was -2.20%. 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, 2016

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, 2016 were as follows (as calculated under GASB 67):

Total pension liability	\$	74,133,607
Plan fiduciary net position		<u>60,851,904</u>
Net pension liability	\$	<u><u>13,281,703</u></u>
Plan fiduciary net position adjusted as a percentage of the total pension liability		<u><u>82.08%</u></u>

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, 2016. Significant actuarial assumptions used in determining the pension benefit obligation include the RP-2000 Generational Mortality table, an assumed rate of return of 7.25% 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, 2016 are summarized in the following table.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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%	3.00% - 4.00%	0.90% - 1.60%
Equities	50.00% - 60.00%	8.00% - 10.00%	4.00% - 6.00%
Other	0.00% - 10.00%	0.00% - 1.00%	0.00% - 0.10%
			4.90% - 7.70%

Rate selected: 7.25%

Based on the current Investment Policy and Funding Policy, the Plan is projected to not deplete; therefore, the same rate of 7.25% 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 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$22,150,049	\$13,281,703	\$5,836,108

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015	\$ 69,292,852	\$ 62,696,632	\$ 6,596,220
Changes for the year:			
Service cost	\$ 2,350,796	\$	\$ 2,350,796
Interest	5,234,877		5,234,877
Liability experience (gain)/loss	(10,433)		(10,433)
Assumption changes	824,020		824,020
Employer contributions		1,417,367	(1,417,367)
Net employee contributions		1,672,651	(1,672,651)
Net investment income		(1,302,566)	1,302,566
Benefit payments	(3,558,505)	(3,558,505)	
Administrative expense		(73,675)	73,675
Net changes	<u>4,840,755</u>	<u>(1,844,728)</u>	<u>6,685,483</u>
Balance at June 30, 2016	<u>\$ 74,133,607</u>	<u>\$ 60,851,904</u>	<u>\$ 13,281,703</u>

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 15-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-2015.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
6/30/2014	\$ 43,750	100%
6/30/2015	\$ 50,550	100%
6/30/2016	\$ 52,847	100%

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the County reported a liability of \$498,411 for its proportional share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the County's proportion was 0.0023983%.

For the year ended June 30, 2016, the County recognized pension expense of \$76,831. At June 30, 2016, 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	\$ 42,170	\$
Net difference between projected and actual earnings on pension plan investments	11,668	37,837
Contributions subsequent to measurement date	52,847	
	\$ 106,685	\$ 37,837

The County's contribution subsequent to the measurement date of \$52,847, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (continued)

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 is being amortized over a closed five year period. The following table shows the amortization of these balances:

Year ending June 30	Deferred Outflows	Deferred Inflows
2017	\$ 13,278	\$ 11,306
2018	13,278	11,306
2019	13,278	11,306
2020	9,547	2,096
2021	4,457	1,823
Total	<u>\$ 53,838</u>	<u>\$ 37,837</u>

Actuarial assumptions

The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2015 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.95% general, 3.45% wage
Salary increases	3.40% to 11.90%, including inflation
Investment rate of return	7.55%

Mortality rates were based on the RP-2014 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, 2016

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 7.55%. 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 7.55%, 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 (6.55%) or 1-percentage point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Net Pension Liability	\$704,423	\$498,411	\$327,580

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, 2016

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 Officers' Pension System. 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, 2016 were \$11,893,532. 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, 2016

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 2016, 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 2016, the Board contributed \$4,052,348 to the Teachers' Retirement and Pension System, or 100% 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, 2016

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 \$11,893,532 on behalf of the Board while the Board contributed \$4,052,348 during fiscal year 2016 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, 2016

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 \$11,893,352 on behalf of the Board while the Board contributed \$4,052,348 during fiscal year 2016 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, 2016 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 118,845,787
Payroll covered under the plan	\$ 98,572,456

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$4,052,348 for the year ended June 30, 2016, 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:

	2016
Board's proportionate share of the net pension liability (Employees' Systems)	\$
State's proportionate share of the net pension liability (Teachers' Systems)	119,020,880
	119,020,880
Total	\$ 119,020,880

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rate based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (Continued)

4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. Since the Board has no contingent liability for funding deficits in the Teachers' Retirement and Pension Systems, the Board did not record a proportionate share of the net pension liability as of June 30, 2016 related to the System.

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.7% including inflation
Investment Rate of Return	7.55%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

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 weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

Investments (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Additional information, including sensitivity measure an ten year historical trends, can be obtained for 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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 56% equities, 8% cash and cash equivalents, and 36% 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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

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. 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 5 years of continuous service with the employer.

Employer's payroll covered under the plan

The employee's payroll for the year ended June 30, 2016 and payroll covered under the Plan is as follows:

Total payroll	\$ 118,845,787
Payroll covered under the plans	\$ 10,005,366

Plan membership at July 1, 2015, the date of the latest actuarial valuation, consisted of 312 active plan members, 155 retirees and beneficiaries, and 20 vested terminees.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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)

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:

	June 30, 2015	June 30, 2016
Total pension liability		
Service cost	\$ 842,490	\$ 854,284
Interest	1,849,338	1,898,022
Benefit payments	(1,250,672)	(1,502,818)
Change in assumption		(260,240)
Experience (gain) loss		19,531
Net change in total pension liability	1,441,156	1,008,779
Total pension liability - beginning	23,786,836	25,227,992
Total pension liability - ending (a)	25,227,992	26,236,771
 Plan fiduciary net position		
Contribution - employer	722,205	753,562
Contribution - plan member	381,911	399,334
Net investment income	88,504	(400,584)
Benefit payments	(1,250,672)	(1,502,591)
Administrative expenses	(49,433)	(65,984)
Net change in plan fiduciary net position	(107,485)	(816,263)
Plan fiduciary net position - beginning	21,620,477	21,512,992
Plan fiduciary net position - ending (b)	21,512,992	20,696,729
 Net pension liability (a - b)	 \$ 3,715,000	 \$ 5,540,042

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

Pension liability and pension expense (Continued)

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

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 615,285	\$ 705,355	\$ (90,070)	\$ 9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%

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

Deferred inflows/outflows of resources

At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to the retirement plan for employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$	\$ (223,063)
Net difference between projected and actual investment earnings on pension plan investments	1,641,618	
Difference between actual and expected experience	16,546	
Total	<u>\$ 1,658,164</u>	<u>\$ (223,063)</u>

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 7 years. The net difference in investment earnings for is being amortized over a closed five year period. The following table shows the amortization of these balances:

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

Deferred inflows/outflows of resources (Continued)

Year End June 30,	2016 BALANCE AMORTIZATION		
	DEFERRED OUTFLOWS		DEFERRED INFLOWS
	Net Difference in Investment Earnings	Actual and Expected Experience	Change in Assumptions
2017	\$ 410,405	\$ 2,758	\$ (37,177)
2018	410,405	2,758	(37,177)
2019	410,404	2,758	(37,177)
2020	410,404	2,758	(37,177)
2021		2,757	(37,177)
2022		2,757	(37,178)
	\$ 1,641,618	\$ 16,546	\$ (223,063)

Funding status and funding progress

As of the most recent actuarial valuation date, the plan was 78.9% funded. The total pension liability for benefits was \$26,236,771 and the plan fiduciary net position was \$20,696,729 resulting in a net pension liability of \$5,540,042. The covered payroll (annual payroll of active employees covered by the plan) was \$10,005,366 and the ratio of the net pension liability to the covered payroll was 55.4%.

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.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

Actuarial assumptions

Additional information as of the latest actuarial valuation follows:

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, open basis
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Age banded values ranging from 2.5% to 5.5%
Investment Rate of Return	7.25%
Retirement Age	Graded from ages 55-64; 100% at age 65
Mortality	RP-2000 with scale AA generational Improvement and a 3 years set forward

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.

Asset Class	Target Allocations	Long-Term Historical Returns	Building Blocks Range of Expected Returns
Fixed Income	30.00% - 40.00%	3.00% - 4.00%	0.90% - 1.60%
Equities	50.00% - 60.00%	8.00% - 10.00%	4.00% - 6.00%
Other	0.00% - 10.00%	0.00% - 1.00%	0.00% - 0.10%
			4.90% - 7.70%

Rate selected: 7.25%

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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)

Actuarial assumptions (Continued)

Based on the current Investment Policy and Funding Policy, the Plan is projected not to deplete; therefore, the same rate of 7.25% 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 7.25%, 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 (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$8,245,401	\$5,540,042	\$3,223,015

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -2.20%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change amounts actually invested.

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, 2016, the Board did not make a matching contribution to the plan.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

PENSION AND RETIREMENT PLANS (Continued)

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 15-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-2015.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.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

PENSION AND RETIREMENT PLANS (Continued)

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

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, 2016 were \$197,807.

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, 2015 annual actuarial valuation report are as follows:

Inflation	2.95% general, 3.45% wage
Salary increases	3.40% to 11.90% including wage inflation
Investment rate of return	7.55%

Mortality rates were based on the RP-2014 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).

Discount rate

The discount rate used to measure the total pension liability was 7.55%. 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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2015 contributions, which was \$108,173. This match was expensed during fiscal year ended June 30, 2016. 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.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

POST-RETIREMENT HEALTH CARE BENEFITS

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, 2016 was 16% of employee cost and 25% of dependent 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.

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

	2014	2015	2016
Annual Required Contribution	\$ 2,883,000	\$ 3,276,000	\$ 3,352,793
Interest on Net OPEB Obligation (Asset)	43,944	(20,137)	(125,459)
Adjustment to Annual Required Contribution	(47,300)	21,700	103,139
Annual OPEB Cost	2,879,644	3,277,563	3,330,473
Direct Cost and Contributions	(3,734,064)	(4,739,537)	(5,427,608)
Increase/(Decrease) in Net Obligation	(854,420)	(1,461,974)	(2,097,135)
Net OPEB Obligation (Asset), beginning of year	585,926	(268,494)	(1,730,468)
Net OPEB Obligation (Asset), end of year	\$ (268,494)	\$ (1,730,468)	\$ (3,827,603)

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Schedule of funding progress

The County'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, 2016 were as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Total Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)/Liability</u>
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)
June 30, 2016	3,330,473	5,427,608	162.97%	(3,827,603)

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Plan description (continued)

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 760 retirees who have worked for at least five years are eligible to participate in the post-retirement benefit program.

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 \$5.29 million, including approximately \$3.35 million for current claim costs (approximately 70% of total premiums); an additional \$1.83 million to pre-fund benefits and an estimated retiree subsidy of \$118 thousand. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$205 per month for retirees-only coverage (if under 65), \$143 per month for retirees-only coverage (if 65 or older) and \$1,102 for retiree and spouse coverage. These monthly premium costs are for PPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB cost and net OPEB obligation

The Board's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (continued)

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

Annual required contribution	\$	4,860,856
Interest on net OPEB obligation		(134,154)
Adjustment to annual required contribution		90,245
Annual OPEB cost (expense)		4,816,947
Contributions made:		
Premium equivalency & retiree subsidy payments from General Fund		(3,464,103)
Prefunding contribution		(1,828,905)
Total contributions made		(5,293,008)
Net change in OPEB obligation (asset)		(476,061)
Net OPEB obligation (asset) - beginning of year		(1,850,394)
Net OPEB obligation (asset) - end of year		\$ (2,326,455)

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:

Year Ended June 30,	Annual OPEB Cost	Total Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)/Liability
2014	\$ 4,062,589	\$ 3,888,000	95.70%	\$ (2,129,702)
2015	4,165,416	3,886,108	93.29%	(1,850,394)
2016	4,816,947	5,293,008	109.88%	(2,326,455)

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Funding status and funding progress

As of July 2015, the most recent actuarial valuation date, the plan was 22.2% funded. The actuarial accrued liability for benefits was \$67,456,435 and the actuarial value of assets was \$14,942,800 resulting in an unfunded actuarial accrued liability (UAAL) of \$52,513,635. The covered payroll (annual payroll of active employees covered by the plan) was \$109,468,198 and the ratio of UAAL to the covered payroll was 47.97%.

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

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and 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 2015 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% 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 6% 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, 2015 was 30 years.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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.

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 2016.

Closure cost	\$	5,800,532
Post-closure cost		5,283,885
Total estimated future cost		11,084,417
Accrued closure/post-closure cost as of June 30, 2015		(8,357,773)
Additional costs to be recognized over remaining life		2,726,644
Disposal life in years remaining as of July 1, 2015		6
Provision for closure/post-closure costs	\$	454,441

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 \$19,308,679 of currently available cash which may be used for landfill closure and post closure costs.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2016 payment was \$28,592. Subsequent fiscal year payments will be the \$28,592 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.

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 86.01% for fiscal year 2016. 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 \$9,348,633 for fiscal year 2016. The County also approved a capital budget for fiscal year 2016 of \$63,790. 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, 2016 were \$501,190.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2016 were \$39,836.

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 2017.

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 sent a letter to the State during fiscal year 2016 to address this violation. The issue was resolved in July 2016, and no penalties were imposed or paid during the year ended June 30, 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, 2016

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 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, 2016 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, 2016

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.

In 2015, senior management created a Risk Management Committee, with the initial purpose to review reported employee injuries and various insurance claims involving Board property, with a goal to identify underlying risks and primary cause of injuries or loss. As all entities face uncertainty and risk, the future mission of the committee will be to institute a formal program of Enterprise Risk Management (ERM). ERM is a continuous process to identify potential events that may affect the school system, determine what level of risk can be assumed and provide reasonable assurance that objectives can be achieved.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

RISK MANAGEMENT (Continued)

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.

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, 2016. 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, 2016.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

PRIOR PERIOD ADJUSTMENTS

Fund balances at June 30, 2015 have been restated for the governmental funds as follows:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances at June 30, 2015 as previously reported	\$ 50,934,921	\$ 2,262,100	\$ 31,615,778	\$ 1,377,048	\$ 86,189,847
Correction of expenses not reported in proper fund	(4,222)				(4,222)
Other adjustments	<u>(3)</u>	<u>2</u>	<u>1</u>	<u>(4)</u>	<u>(4)</u>
Fund balances at June 30, 2015 as restated	<u>\$ 50,930,696</u>	<u>\$ 2,262,102</u>	<u>\$ 31,615,779</u>	<u>\$ 1,377,044</u>	<u>\$ 86,185,621</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

PRIOR PERIOD ADJUSTMENTS (Continued)

Net position at June 30, 2015 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, 2015 as previously reported	\$ 14,125,365	\$ 42,887,944	\$ 3,290,785	\$ 1,453,171	\$ 11,231,057	\$ 392,009	\$ 73,380,331
Correction of expenses not recorded in proper fund						4,222	4,222
Other adjustments	(1,696)	2	1	(2)	788	(1)	(908)
Net position at June 30, 2015 as restated	<u>\$ 14,123,669</u>	<u>\$ 42,887,946</u>	<u>\$ 3,290,786</u>	<u>\$ 1,453,169</u>	<u>\$ 11,231,845</u>	<u>\$ 396,230</u>	<u>\$ 73,383,645</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net position at June 30, 2015 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, 2015 as previously reported	\$ 59,605,626	\$ 73,380,331
Net changes to governmental funds (on page 108)	(4,226)	
Net changes to enterprise funds (on page 109)		3,314
Correction to capital assets	<u>181,803</u>	<u> </u>
Net position at June 30, 2015 as restated	<u><u>\$ 59,783,203</u></u>	<u><u>\$ 73,383,645</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<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	\$ 61,938,432	\$ 61,938,432	\$ 62,205,279	\$ 266,847
Income taxes	41,496,963	41,496,963	48,859,441	7,362,478
Other taxes	3,891,100	3,891,100	4,463,203	572,103
Licenses and permits	1,237,989	1,237,989	1,364,459	126,470
Intergovernmental	9,473,479	9,372,763	10,338,444	965,681
Charges for services	4,277,640	6,590,075	3,827,468	(2,762,607)
Fines and forfeitures	87,015	87,015	41,635	(45,380)
Miscellaneous	372,321	524,951	662,244	137,293
Investment earnings	40,713	40,713	217,473	176,760
Total revenues	<u>122,815,652</u>	<u>125,180,001</u>	<u>131,979,646</u>	<u>6,799,645</u>
EXPENDITURES				
General government				
Legislative/council	<u>572,579</u>	<u>577,203</u>	<u>542,886</u>	<u>34,317</u>
Administrative/executive	<u>670,072</u>	<u>670,072</u>	<u>550,136</u>	<u>119,936</u>
Judicial				
Circuit Court	1,565,276	1,565,276	1,356,648	208,628
Orphans' Court	114,655	114,655	92,688	21,967
State's Attorney	3,299,048	3,295,048	3,265,421	29,627
Total judicial	<u>4,978,979</u>	<u>4,974,979</u>	<u>4,714,757</u>	<u>260,222</u>
Elections	<u>1,018,893</u>	<u>1,102,007</u>	<u>964,572</u>	<u>137,435</u>
Management information systems	<u>804,640</u>	<u>804,860</u>	<u>728,596</u>	<u>76,264</u>
Purchasing	<u>262,650</u>	<u>262,650</u>	<u>241,739</u>	<u>20,911</u>
Financial administration				
Finance	1,511,010	1,511,010	1,432,906	78,104
Public accountant	79,650	80,395	79,000	1,395
Total financial administration	<u>1,590,660</u>	<u>1,591,405</u>	<u>1,511,906</u>	<u>79,499</u>
Human resources	<u>636,342</u>	<u>636,927</u>	<u>559,391</u>	<u>77,536</u>
Legal	<u>476,508</u>	<u>476,508</u>	<u>440,374</u>	<u>36,134</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2016
(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	323,568	328,568	311,736	16,832
Planning and zoning	1,686,215	1,707,767	1,673,583	34,184
General services	1,297,950	1,297,949	1,050,702	247,247
Total general government	14,319,056	14,430,895	13,290,378	1,140,517
Public safety				
Sheriff's Department	10,987,523	11,136,228	11,174,630	(38,402)
Emergency Services	2,372,197	2,421,025	2,317,245	103,780
Fire Department	4,382,693	4,382,693	4,358,731	23,962
Liquor License Board	270,001	270,001	269,834	167
Protection of Animals	341,235	341,235	341,235	
Total public safety	18,353,649	18,551,182	18,461,675	89,507
Detention Center	15,456,485	15,594,907	15,015,861	579,046
Public works				
Roads	8,478,982	10,756,082	7,350,466	3,405,616
Supervision	430,233	430,233	390,106	40,127
Sanitation, water, and sewer	105,304	105,304	105,304	
Tri-County Council/Shore Transit	445,809	445,809	445,809	
Total public works	9,460,328	11,737,428	8,291,685	3,445,743
Health and welfare				
Public health	3,415,957	3,419,725	3,271,332	148,393
Mosquito control	162,131	162,131	149,852	12,279
Gypsy Moth control	1,500	7,425	7,425	
Total health and welfare	3,579,588	3,589,281	3,428,609	160,672
Social services	305,613	305,613	305,613	
Education				
Board of Education	41,306,646	41,306,646	41,306,646	
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	103,272	103,272	99,474	3,798
Total education	46,632,226	46,632,226	46,628,428	3,798

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2016
(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			10,573	(10,573)
Economic development		59,274	64,533	(5,259)
Miscellaneous				
Grants and mandates	493,014	493,014	491,332	1,682
Provision for compensated absences			(589,484)	589,484
Hospitalization, disability and life	148,133	147,633	45,808	101,825
Unemployment compensation	1,825	1,825	1,450	375
Liability and arbitrage insurance	642,000	642,000	570,830	71,170
Carefirst loss on settlement			665,230	(665,230)
Other fringes	48,235	48,235	48,256	(21)
Total miscellaneous	1,333,207	1,332,707	1,233,422	99,285
Debt service				
Principal	8,683,703	8,683,703	8,643,484	40,219
Interest	3,786,699	3,786,699	3,805,177	(18,478)
Agent fees	50,000	50,000	32,290	17,710
Total debt service	12,520,402	12,520,402	12,480,951	39,451
Total expenditures	121,960,554	124,753,915	119,211,728	5,542,187
Excess (deficiency) of revenues over (under) expenditures	855,098	426,086	12,767,918	12,341,832
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,283,279)	(6,086,005)	(5,746,185)	339,820
Appropriations of fund equity	6,184,592	6,184,592		(6,184,592)
Other uses	(756,411)	(649,510)		649,510
Total other financing uses	(855,098)	(550,923)	(5,746,185)	(5,195,262)
Net change in fund balances	\$	\$ (124,837)	\$ 7,021,733	\$ 7,146,570

**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%
7/1/2016	19,130,627	40,466,377	21,335,750	47.28%	30,928,411	68.98%

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

	2016	2015
Total pension liability		
Service Cost	\$ 2,350,796	\$ 2,377,128
Interest	5,234,877	4,863,156
Liability experience loss	(10,433)	
Assumption changes	824,020	966,617
Benefit payments	(3,558,505)	(3,328,886)
Net change in total pension liability	4,840,755	4,878,015
Total pension liability - beginning	69,292,852	56,034,679
Total pension liability adjustment		8,380,158
Total pension liability - ending	<u>\$ 74,133,607</u>	<u>\$ 69,292,852</u>

Plan fiduciary net pension

Contributions-county	\$ 1,417,367	\$ 3,415,534
Contributions-member	1,672,651	1,637,983
Net investment income	(1,302,566)	77,598
Benefit payments, including refunds of employee contributions	(3,558,505)	(3,328,886)
Administrative expense	(73,675)	(63,453)
Net change in plan fiduciary net position	(1,844,728)	1,738,776
Plan fiduciary net position - beginning	62,696,632	60,957,856
Plan fiduciary net position - ending	60,851,904	62,696,632
Plan's net pension liability (asset) - ending	<u>\$ 13,281,703</u>	<u>\$ 6,596,220</u>

Plan fiduciary net position as a percentage of the total pension liability	82.08%	90.48%
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Covered-employee payroll	\$ 27,475,905	\$ 27,339,769
Net pension liability (asset) as a percentage of covered-employee payroll	48.34%	24.13%

Notes to Schedule:

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.

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

	<u>2016</u>	<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>
Actuarially determined contribution	\$ 882,674	\$ 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
Contributions in relation to the actuarially determined contribution	<u>1,417,367</u>	<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>
Contribution deficiency (excess)	<u>\$ (534,693)</u>	<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>
Covered-employee payroll	\$ 27,475,905	\$ 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
Contributions as a percentage of covered-employee payroll	5.16%	12.49%	15.18%	8.70%	6.62%	0.87%	0.49%	12.92%	14.71%	13.31%

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	7.25%, net of pension plan investment expense
Retirement age	It is presumed that most employees work until age 65.
Mortality	The RP-2000 Mortality Table (gender specific)

Prior to June 30, 2016 the actuarial valuation used, frozen entry age normal and an 7.75% 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.

Prior to June 30, 2016, it was assumed that all employees would retire 2 years after normal retirement age. The above rates reflect that many employees continue to work until age 65.

Notes to Schedule:

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 increasing the actuarially determined contribution to \$919,120.

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

	<u>2016</u>	<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>
Annual money-weighted rate of return, net of investment expense	-2.20%	0.00%	13.80%	9.62%	(0.84%)	19.35%	12.34%	(15.45%)	2.12%	16.09%

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

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0023983%	0.0020750%
County's proportional share of the net pension liability	\$ 498,411	\$ 368,298
County's covered-employee payroll	\$ 519,527	\$ 519,527
County's proportional share of the net pension liability as a percentage of its covered-employee payroll	95.94%	70.89%
The total pension liability as a percentage of plan fiduciary net position	68.78%	69.53%

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

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 52,847	\$ 50,550
Contributions in relation to the contractually required contribution	<u>52,847</u>	<u>50,550</u>
Contribution deficiency (asset)	<u>\$</u>	<u>\$</u>
County's covered-employee payroll	\$ 519,527	\$ 519,527
Contributions as a percentage of covered-employee payroll	10.17%	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%
7/1/2015	14,942,800	67,456,435	52,513,635	22.15%	109,468,198	47.97%

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%
2016	5,293,008	4,860,856	4,816,947	108.89%	109.88%

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

	2016	2015
Board's proportion of the net pension liability	0.000000%	0.000000%
Board's proportionate share of the net pension liability	\$	\$
State's proportionate share of the net pension liability	<u>119,020,880</u>	<u>87,166,955</u>
Total	<u>\$ 119,020,880</u>	<u>\$ 87,166,955</u>
Board's covered-employee payroll	\$ 95,262,765	\$ 93,558,675
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.26%	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

	2016	2015
Contractually required contributions	\$ 4,052,348	\$ 3,524,616
Contributions in relation to the contractually required contribution	<u>4,052,348</u>	<u>3,524,616</u>
Total	<u>\$</u>	<u>\$</u>
Board's covered-employee payroll	\$ 98,572,456	\$ 95,262,765
Contributions as a percentage of covered-employee payroll	4.11%	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, 2016	June 30, 2015
Total pension liability		
Service cost	854,284	842,490
Interest	1,898,022	1,849,338
Benefit payments	(1,502,818)	(1,250,672)
Change in assumption	(260,240)	
Experience (gain) loss	19,531	
Net change in total pension liability	1,008,779	1,441,156
Total pension liability - beginning	25,227,992	23,786,836
Total pension liability - ending (a)	26,236,771	25,227,992
Plan fiduciary net position		
Contribution - employer	753,562	722,205
Contribution - plan member	399,334	381,911
Net investment income	(400,584)	178,057
Benefit payments	(1,502,591)	(1,250,672)
Administrative expenses	(65,984)	(138,986)
Net change in plan fiduciary net position	(816,263)	(107,485)
Plan fiduciary net position - beginning	21,512,992	21,620,477
Plan fiduciary net position - ending (b)	20,696,729	21,512,992
Net pension liability (a - b)	5,540,042	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%
June 30, 2016	26,236,771	20,696,729	5,540,042	78.88%	10,005,366	55.37%

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	615,285	705,355	(90,070)	9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%

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, 2016

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Real and personal property taxes			
Real property	\$ 53,977,268	\$ 54,469,117	\$ 491,849
Railroads and public utilities	3,091,194	3,473,643	382,449
Ordinary business corporations	5,083,938	4,860,387	(223,551)
Subtotal real and personal property taxes	<u>62,152,400</u>	<u>62,803,147</u>	<u>650,747</u>
Interest and fees on delinquent taxes	457,709	351,217	(106,492)
Subtotal real and personal property taxes after interest and fees on delinquent taxes	62,610,109	63,154,364	544,255
Net additions and abatements	(87,177)	29,554	116,731
Tax credits	500	(135,002)	(135,502)
Deferred and uncollected taxes	(175,000)	(436,831)	(261,831)
Discounts allowed	(410,000)	(406,806)	3,194
Total real and personal property taxes	<u>61,938,432</u>	<u>62,205,279</u>	<u>266,847</u>
Income taxes	<u>41,496,963</u>	<u>48,859,441</u>	<u>7,362,478</u>
Other taxes			
Admission and amusement	100,000	168,149	68,149
Recordation tax	2,912,805	3,402,652	489,847
911 telephone surcharge tax	538,295	549,416	11,121
Trailer park	340,000	342,986	2,986
Total other taxes	<u>3,891,100</u>	<u>4,463,203</u>	<u>572,103</u>
Total taxes	<u>107,326,495</u>	<u>115,527,923</u>	<u>8,201,428</u>
Licenses and permits			
Alcoholic beverages	170,300	185,208	14,908
Amusement	5,224	4,327	(897)
Traders	62,198	59,264	(2,934)
Building, equipment, and electrical	162,000	229,571	67,571
Marriage	23,758	23,454	(304)
Cable TV franchise	808,658	856,490	47,832
Other	5,851	6,145	294
Total licenses and permits	<u>1,237,989</u>	<u>1,364,459</u>	<u>126,470</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental			
Operating grants and contributions			
Disparity grant	6,653,843	7,364,191	710,348
Teacher retirement supplementary grant	1,567,837	1,567,837	
Health	62,055	68,296	6,241
Public safety - detention center	91,703	84,061	(7,642)
Public safety - police	259,186	466,904	207,718
Charges for services and fees			
General government - circuit courts	117,720	123,480	5,760
Health	598,313	596,261	(2,052)
Payments in lieu of taxes	22,106	58,896	36,790
Miscellaneous		8,518	8,518
Total intergovernmental	<u>9,372,763</u>	<u>10,338,444</u>	<u>965,681</u>
Charges for services			
Bay Restoration - administrative fee	21,000	17,152	(3,848)
City of Salisbury - share of building expenses	236,500	132,946	(103,554)
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	93,900	141,779	47,879
Detention Center - reimbursement for inmates expenses, federal and state per diem	116,280	123,705	7,425
Detention Center - reimbursement for inmates expenses, enterprise funds	84,000	24,834	(59,166)
Fire safety fees	180,000	137,697	(42,303)
Forest Conservation service charges	3,500	2,590	(910)
Health - mosquito control fees	127,000	118,320	(8,680)
Impact fees	746,758		(746,758)
Miscellaneous fees, rentals, and sales	5,772	148,314	142,542
Public works subdivision review fees	10,350	10,350	
Public works and roads fees	3,098,816	1,065,050	(2,033,766)
Room tax - administrative fee	17,000	22,933	5,933
Sheriff's fees	520,485	517,752	(2,733)
Sheriff's services - Board of Education	598,389	622,915	24,526
Specialty taxes - administrative fee	6,100		(6,100)
Enterprise funds - administrative fee	56,088	56,088	
Wicomico County Liquor Control Board fee	500,000	520,400	20,400
Zoning and subdivision fees	4,850	4,356	(494)
Total charges for services	<u>6,590,075</u>	<u>3,827,468</u>	<u>(2,762,607)</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	87,015	41,635	(45,380)
Miscellaneous	524,951	662,244	137,293
Investment earnings	40,713	217,473	176,760
Total revenues	<u>\$ 125,180,001</u>	<u>\$ 131,979,646</u>	<u>\$ 6,799,645</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government			
Legislative/council			
Salaries - County Council	\$ 115,000	\$ 115,884	\$ (884)
Salaries - general	195,691	184,904	10,787
Operating expenditures	266,512	242,098	24,414
Total legislative/council	<u>577,203</u>	<u>542,886</u>	<u>34,317</u>
Administrative/executive			
Salaries - elected office	85,000	85,654	(654)
Salaries - general	334,411	236,161	98,250
Operating expenditures	250,661	228,321	22,340
Total administrative/executive	<u>670,072</u>	<u>550,136</u>	<u>119,936</u>
Judicial			
Circuit Court			
Salaries - general	754,388	689,264	65,124
Operating expenditures	757,555	666,558	90,997
Capital outlay	53,333	826	52,507
Total Circuit Court	<u>1,565,276</u>	<u>1,356,648</u>	<u>208,628</u>
Orphans' Court			
Salaries - general	33,180	34,839	(1,659)
Operating expenditures	81,475	57,849	23,626
Total Orphans' Court	<u>114,655</u>	<u>92,688</u>	<u>21,967</u>
State's Attorney			
Salaries - elected office	122,850	123,795	(945)
Salaries - general	2,004,253	2,016,220	(11,967)
Operating expenditures	1,147,945	1,106,680	41,265
Capital outlay	20,000	18,726	1,274
Total State's Attorney	<u>3,295,048</u>	<u>3,265,421</u>	<u>29,627</u>
Total judicial	<u>4,974,979</u>	<u>4,714,757</u>	<u>260,222</u>
Elections			
Salaries - general	505,954	504,970	984
Operating expenditures	540,053	459,602	80,451
Capital outlay	56,000		56,000
Total elections	<u>1,102,007</u>	<u>964,572</u>	<u>137,435</u>
Management information systems			
Salaries - general	349,941	332,435	17,506
Operating expenditures	409,720	351,188	58,532
Capital outlay	45,199	44,973	226
Total management information systems	<u>804,860</u>	<u>728,596</u>	<u>76,264</u>
Purchasing			
Salaries - general	129,586	121,664	7,922
Operating expenditures	133,064	120,075	12,989
Total purchasing	<u>262,650</u>	<u>241,739</u>	<u>20,911</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government (continued)			
Financial administration			
Finance			
Salaries - general	759,018	762,530	(3,512)
Operating expenditures	751,992	670,376	81,616
Total finance	<u>1,511,010</u>	<u>1,432,906</u>	<u>78,104</u>
Public accountant			
Auditors' services	80,395	79,000	1,395
Total financial administration	<u>1,591,405</u>	<u>1,511,906</u>	<u>79,499</u>
Human resources			
Salaries - general	337,673	311,641	26,032
Operating expenditures	299,254	247,750	51,504
Total human resources	<u>636,927</u>	<u>559,391</u>	<u>77,536</u>
Legal			
Salaries - general	293,977	118,360	175,617
Operating expenditures	182,531	322,014	(139,483)
Total legal	<u>476,508</u>	<u>440,374</u>	<u>36,134</u>
Community promotion			
Community access channel	110,818	110,818	
Economic development	147,750	147,750	
Operating expenditures	70,000	53,168	16,832
Total community promotion	<u>328,568</u>	<u>311,736</u>	<u>16,832</u>
Planning and zoning			
Salaries	1,071,557	976,411	95,146
Operating expenditures	615,719	676,440	(60,721)
Capital outlay	20,491	20,732	(241)
Total planning and zoning	<u>1,707,767</u>	<u>1,673,583</u>	<u>34,184</u>
General services			
Salaries	182,950	185,675	(2,725)
Operating expenditures	797,899	830,120	(32,221)
Capital outlay	317,100	34,907	282,193
Total general services	<u>1,297,949</u>	<u>1,050,702</u>	<u>247,247</u>
Total general government	<u>14,430,895</u>	<u>13,290,378</u>	<u>1,140,517</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety			
Sheriff's Department			
Salary - Sheriff	95,000	95,731	(731)
Salaries - general	7,156,150	7,479,040	(322,890)
Operating expenditures	3,668,233	3,383,068	285,165
Capital outlay	216,845	216,791	54
Total Sheriff's Department	<u>11,136,228</u>	<u>11,174,630</u>	<u>(38,402)</u>
Emergency Services			
Salaries - general	1,210,134	1,055,187	154,947
Operating expenditures	1,144,746	1,195,934	(51,188)
Capital outlay	66,145	66,124	21
Total Emergency Services	<u>2,421,025</u>	<u>2,317,245</u>	<u>103,780</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	69,444	15,432
Workers' compensation insurance	84,813	80,374	4,439
LOSAP committee	85,000	119,341	(34,341)
Grants	1,411,000	1,411,000	
Sinking fund	378,000	378,000	
Hepatitis vaccine	5,000		5,000
Respiratory protection	39,004	5,572	33,432
Total Fire Department	<u>4,382,693</u>	<u>4,358,731</u>	<u>23,962</u>
Liquor License Board			
Salaries - board members and attorneys	23,000	27,946	(4,946)
Salaries - general	107,513	108,337	(824)
Operating expenditures	139,488	133,551	5,937
Total Liquor License Board	<u>270,001</u>	<u>269,834</u>	<u>167</u>
Protection of Animals			
Contractual services - Humane Society	341,235	341,235	
Total public safety	<u>18,551,182</u>	<u>18,461,675</u>	<u>89,507</u>
Detention Center			
Salaries - general	7,400,664	7,166,406	234,258
Medical	2,112,915	2,137,927	(25,012)
Contracted food services	745,487	727,435	18,052
Operating expenditures	4,840,106	4,670,768	169,338
Capital outlay	495,735	313,325	182,410
Total Detention Center	<u>15,594,907</u>	<u>15,015,861</u>	<u>579,046</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public works			
Roads			
Salaries - general	2,488,936	2,341,056	147,880
Operating expenditures	7,728,746	4,577,643	3,151,103
Capital outlay	538,400	431,767	106,633
Total roads	<u>10,756,082</u>	<u>7,350,466</u>	<u>3,405,616</u>
Supervision			
Salaries - general	253,519	211,303	42,216
Operating expenditures	176,714	178,803	(2,089)
Total supervision	<u>430,233</u>	<u>390,106</u>	<u>40,127</u>
Sanitation, water, and sewer			
Fruitland water and sewer	105,304	105,304	
Tri-County Council/Shore Transit			
Grants - operating	383,464	383,464	
Grants - capital outlay	52,345	52,345	
Grants - legislative	10,000	10,000	
Total Tri-County Council/Shore Transit	<u>445,809</u>	<u>445,809</u>	
Total public works	<u>11,737,428</u>	<u>8,291,685</u>	<u>3,445,743</u>
Health and welfare			
Public health			
Salaries - general	126,469	127,441	(972)
Operating expenditures	3,184,756	3,143,891	40,865
Capital outlay	108,500		108,500
Total public health	<u>3,419,725</u>	<u>3,271,332</u>	<u>148,393</u>
Mosquito control			
Salaries - general	107,909	97,932	9,977
Operating expenditures	54,222	51,920	2,302
Total mosquito control	<u>162,131</u>	<u>149,852</u>	<u>12,279</u>
Gypsy Moth control			
Operating expenditures	7,425	7,425	
Total health and welfare	<u>3,589,281</u>	<u>3,428,609</u>	<u>160,672</u>
Social services			
Teen Adult Center	61,363	61,363	
Maintenance of Aged in Community	230,000	230,000	
Commission on Aging	750	750	
Life Crisis Center - grant	13,500	13,500	
Total social services	<u>305,613</u>	<u>305,613</u>	

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	41,306,646	41,306,646	
Wicomico County Free Library	1,158,338	1,158,338	
Community College - grant	4,063,970	4,063,970	
Extension Service	103,272	99,474	3,798
Total education	<u>46,632,226</u>	<u>46,628,428</u>	<u>3,798</u>
Culture and recreation			
Operating expenditures		10,573	(10,573)
Total culture and recreation		<u>10,573</u>	<u>(10,573)</u>
Economic development			
Operating expenditures	59,274	64,533	(5,259)
Total economic development	<u>59,274</u>	<u>64,533</u>	<u>(5,259)</u>
Miscellaneous			
Grants and mandates	493,014	491,332	1,682
Provision for compensated absences		(589,484)	589,484
Hospitalization, disability and life	147,633	45,808	101,825
Unemployment compensation	1,825	1,450	375
Liability and arbitrage insurance	642,000	570,830	71,170
Carefirst loss on settlement		665,230	(665,230)
Other fringes	48,235	48,256	(21)
Total miscellaneous	<u>1,332,707</u>	<u>1,233,422</u>	<u>99,285</u>
Debt service			
Principal - County	1,312,485	1,286,647	25,838
Principal - Board of Education	7,371,218	7,356,837	14,381
Interest - County	653,465	699,510	(46,045)
Interest - Board of Education	3,133,234	3,105,667	27,567
Agent fees	50,000	32,290	17,710
Total debt service	<u>12,520,402</u>	<u>12,480,951</u>	<u>39,451</u>
Total expenditures	<u>\$ 124,753,915</u>	<u>\$ 119,211,728</u>	<u>\$ 5,542,187</u>

**WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Transfers out			
Wicomico County Grants	\$ (71,243)	\$ (71,243)	\$
Wicomico County Economic Development	(339,820)		339,820
Wicomico County Civic Center	(587,066)	(587,066)	
Wicomico County Capital Projects	(5,087,876)	(5,087,876)	
Total transfers out	<u>(6,086,005)</u>	<u>(5,746,185)</u>	<u>339,820</u>
Appropriations of fund equity			
Fund balance reappropriated	6,184,592		(6,184,592)
Total appropriations of fund equity	<u>6,184,592</u>		<u>(6,184,592)</u>
Other uses			
Contingency	(649,510)		649,510
Total other uses	<u>(649,510)</u>		<u>649,510</u>
 Total other financing uses	 <u>\$ (550,923)</u>	 <u>\$ (5,746,185)</u>	 <u>\$ (5,195,262)</u>

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS**

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2016	\$ 0.952	\$ 2.172	\$ 0.392	\$ 6,089,313,230	\$ 62,627,784	\$ 61,865,995
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

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>
99.46%	\$ 289,158	\$ 62,397,637	99.92%	\$ 1,878,184	3.01%
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%
99.06%	1,589,755	64,504,766	101.57%	1,794,119	2.82%

**WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2016**

	Interest Rate
Governmental activities	
General obligation bonds	
General Obligation Bond 2004 Series	4.98
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
Public Improvement Bond of 2015 Refunding	3.0 - 5.0
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, 2016 Balance</u>
December 28, 2004	January 1, 2017	500,000	500,000	53,503
October 1, 2006	October 1, 2021	11,225,000	7,500,000	750,000
December 1, 2007	December 1, 2022	16,675,000	16,675,000	2,315,000
December 1, 2008	December 1, 2033	20,170,000	8,900,000	3,230,000
June 15, 2009	December 1, 2019	19,939,068	19,939,068	1,942,487
December 16, 2009	February 1, 2021	3,780,000	3,780,000	1,870,000
December 16, 2009	December 1, 2034	16,465,000	16,465,000	13,555,000
December 1, 2010	February 1, 2026	6,795,000	6,795,000	4,945,000
October 17, 2012	June 30, 1933	28,168,179	28,168,179	23,003,765
November 26, 2013	November 15, 2033	13,999,000	13,999,000	13,961,000
October 30, 2013	June 30, 2034	12,500,000	12,500,000	11,250,000
December 30, 2014	July 1, 2039	8,325,000	8,325,000	7,990,214
December 30, 2014	July 1, 2039	1,605,000	1,605,000	1,540,000
November 3, 2015	November 1, 2035	19,715,000	13,185,000	19,715,000
		4,857,116	4,857,116	5,728,007
		<u>184,718,363</u>	<u>163,193,363</u>	<u>111,848,976</u>
May 30, 2012	January 5, 2025	3,127,203	3,127,203	2,510,902
		<u>3,127,203</u>	<u>3,127,203</u>	<u>2,510,902</u>
		<u>\$ 187,845,566</u>	<u>\$ 166,320,566</u>	<u>\$ 114,359,878</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2016
(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
Water System Improvement Bond 2016A	3.0 - 5.0
Water System Improvement Bond 2016B	3.0 - 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, 2016 Balance</u>
June 15, 2009	December 1, 2019	\$ 1,000,932	\$ 1,000,932	\$ 97,513
October 17, 2012	June 30, 2033	166,821	166,821	135,432
December 30, 2014	July 1, 2039	1,000,000	1,000,000	959,786
February 25, 2016	February 25, 2046	900,000	900,000	900,000
February 25, 2016	February 25, 2046	1,100,000	1,100,000	1,100,000
		35,433	35,433	18,572
		<u>4,203,186</u>	<u>4,203,186</u>	<u>3,211,303</u>
June 17, 2013	December 31, 2017	426,448	426,448	170,579
May 1, 2014	May 1, 2015	53,180	53,180	
		<u>479,628</u>	<u>479,628</u>	<u>170,579</u>
October 16, 2010	October 15, 2015	1,126,530	1,126,530	
May 30, 2012	January 5, 2025	932,782	932,782	748,951
		<u>2,059,312</u>	<u>2,059,312</u>	<u>748,951</u>
		6,742,126	6,742,126	4,130,833
		(53,180)	(53,180)	
		<u>6,688,946</u>	<u>6,688,946</u>	<u>4,130,833</u>
		194,534,512	173,009,512	118,490,711
		(5,186,515)	(5,186,515)	(3,259,853)
		<u>\$ 189,347,997</u>	<u>\$ 167,822,997</u>	<u>\$ 115,230,858</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2016
(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
2017	\$ 13,859,659	\$ 90,407	\$ 13,950,066
2018	13,221,588	87,847	13,309,435
2019	12,235,264		12,235,264
2020	11,447,892		11,447,892
2021	10,486,322		10,486,322
2022	9,200,373		9,200,373
2023	7,761,178		7,761,178
2024	6,142,577		6,142,577
2025	6,011,482		6,011,482
2026	5,869,576		5,869,576
2027	5,486,582		5,486,582
2028	5,373,206		5,373,206
2029	5,254,891		5,254,891
2030	5,131,556		5,131,556
2031	5,014,670		5,014,670
2032	4,897,708		4,897,708
2033	4,772,716		4,772,716
2034	3,826,332		3,826,332
2035	2,304,028		2,304,028
2036	1,254,629		1,254,629
2037	574,955		574,955
2038	560,252		560,252
2039	545,286		545,286
2040	529,221		529,221
2041	88,847		88,847
2042	87,780		87,780
2043	87,780		87,780
2044	87,780		87,780
2045	87,780		87,780
2046	87,474		87,474
Total	142,289,384	178,254	142,467,638
Less interest	32,975,684	7,675	32,983,359
Outstanding principal	\$ 109,313,700	\$ 170,579	\$ 109,484,279

WICOMICO COUNTY, MARYLAND

**BALANCE SHEET
LOCAL MANAGEMENT BOARD**

**JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash allocation from general fund	\$	\$ 77,754
Due from other governmental agencies	<u>389,084</u>	<u>87,333</u>
Total assets	<u>\$ 389,084</u>	<u>\$ 165,087</u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 139,261	\$ 127,829
Unearned revenues	207,487	7,487
Due to general fund	25,775	
Accrued payroll and taxes	3,091	10,099
Accrued compensated absences		<u>4,539</u>
Total liabilities	<u>375,614</u>	<u>149,954</u>
FUND BALANCES		
Unassigned	<u>13,470</u>	<u>15,133</u>
Total fund balances	<u>13,470</u>	<u>15,133</u>
 Total liabilities and fund balance	 <u>\$ 389,084</u>	 <u>\$ 165,087</u>

WICOMICO COUNTY, MARYLAND

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

**YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
REVENUES		
Subcabinet fund	\$ 728,915	\$ 767,022
Other state grants	296,675	289,783
Other grants	15,601	7,708
Total revenues	<u>1,041,191</u>	<u>1,064,513</u>
EXPENDITURES		
Subcabinet Fund		
Administrative expenditures	65,491	64,943
Administrative expenditures- County portion	66,534	71,597
Family Empowerment Initiative- Parenting	118,571	119,691
Local Access Training	107,866	114,950
After School	273,264	284,209
Truancy Prevention Elementary Pilot	165,084	174,232
Total subcabinet fund	<u>796,810</u>	<u>829,622</u>
Other state grant	303,595	299,741
Other grants	14,245	7,708
Total expenditures	<u>1,114,650</u>	<u>1,137,071</u>
Deficiency of revenues over expenditures	<u>(73,459)</u>	<u>(72,558)</u>
OTHER FINANCING SOURCES		
Interest income	54	46
Interfund transfer	71,243	72,278
Miscellaneous income	499	480
Total other financing sources	<u>71,796</u>	<u>72,804</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(1,663)	246
BEGINNING FUND BALANCE	<u>15,133</u>	<u>14,887</u>
ENDING FUND BALANCE	<u>\$ 13,470</u>	<u>\$ 15,133</u>