

47. 2010-2011

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2006

WICOMICO COUNTY, MARYLAND

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INDEPENDENT AUDITORS' REPORT

Wicomico County, Maryland
Salisbury, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wicomico County, Maryland's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represents 7.4% and 22.1%, respectively of the assets and revenues of business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 98.2% and 58.6%, respectively of the assets and revenues of the aggregate discretely presented component units for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wicomico Nursing Home and the Board of Education of Wicomico County, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued a report dated December 8, 2006, on our consideration of Wicomico County, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedule of pension plan funding progress on pages 5-10 and 66-70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The supplementary schedules on pages 71-85 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PKS + Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2006

INDEPENDENT AUDITORS' 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

Wicomico County, Maryland
Salisbury, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland ("the County"), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows:

06-01 GENERAL LEDGER ACCOUNTING FOR GRANTS

Condition: The Local Management Board experienced significant problems reconciling financial information relating to grants to the County's general ledger in a timely and accurate fashion. This delayed the audit process and in general is not considered effective management.

Criteria: Proper procedures must be in place to monitor, record, reconcile and report all state and federal grant revenues and expenditures. This includes the reconciliation of grant reports to the general ledger.

Cause: Lack of segregation of duties between the accounting function and all other program and administrative functions.

Effect: Although state and federal reports may have been filed in a timely manner, the lack of reconciliation to the general ledger resulted in inaccuracies and delayed the completion of the audit. In addition, it required numerous adjusting journal entries to reconcile to the state and federal reports.

Recommendation: Segregate the accounting function from all other functions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable condition described above is a material weakness.

Compliance and Other Matters

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

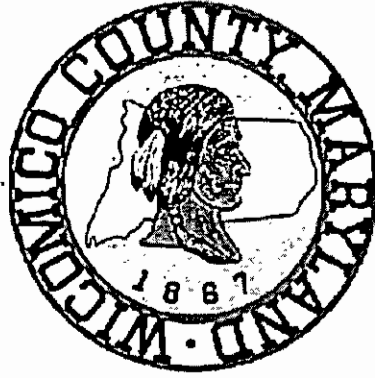
This report is intended solely for the information and use of the members of the County Council of Wicomico County, management, and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2006

MANAGEMENT'S DISCUSSION
AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Wicomico County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the County's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The County's government-wide results of operations shows an increase in net assets of the primary government of about \$25.2 million which is attributable primarily to greater than expected local income tax distributions, increased recordation and interest revenues and excess of revenues over expenditures for the business-type activities.
- Within its main operating fund ("the general fund"), the County's results of operations shows revenues in excess of expenditures of almost \$12.7 million, again primarily due to income tax & recordation revenues in excess of budget.
- General fund revenues increased about \$7.7 million compared to last year, and general fund expenditures, including transfers, increased about \$4.6 million compared to last year.
- The County's rainy day reserves increased \$296,000. Total reserves for the general fund decreased \$314,000.
- The general fund budget for fiscal year 2006 was about \$6 million more than last year.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements, notes, and supplementary information. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) 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 13 and report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds, detailing how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. Footnotes accompany the financial statements and should be read in conjunction with them. The series of supplemental schedules located at the end of the report provides more detailed information about activities that roll up into the government-wide or fund statements that may be of interest to selected segments of County citizens.

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

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most frequent questions asked about the County's finances is, "Is the County as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities beginning on page 11 reports information about the County as a whole and about its activities in a way that helps answer the question. These statements include all assets and liabilities using the accrual method of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Of course, many other factors impact the overall health of the County, including changes in the County's property tax base, the condition of the County's roads, and the impact of the revenue cap. In addition, it should be noted that when the County borrows money to build or improve school buildings, the buildings and improvements themselves appear on the Board of Education's financial statements as an asset while the debt appears on the County's financial statements without the accompanying asset. As of June 30, 2006, the County carried about \$50.8 million in debt on its portion of the financial statements under primary government related to school assets that appear in the component units section under Board of Education.

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

- **Governmental activities** – Most of the County's basic services are reported here, including public safety, recreation, and general administration. Property taxes, other taxes, fees, and some grants finance most of these activities. Many of these activities are not intended to be self-supporting and therefore show a negative result for the year.
- **Business-type activities** – In this section, we show those activities where the County charges a fee to customers to help cover all or part of the cost of certain services it provides, such as solid waste disposal.
- **Component units** – The County includes 2 separate legal entities in its report – the Board of Education and the Wicomico County Free Library. Although legally separate, "component units" are important because the County is financially accountable for all or part of their operations.

Table 1

Highlights from the primary government portion of the Statement of Net Assets as of June 30, 2006 and 2005:

| | (In millions of dollars) | | | | | |
|--|--------------------------|------------|--------------------------|------------|--------|------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | | (restated) | | (restated) | | (restated) |
| Current and other assets | 76.57 | 59.68 | 24.96 | 16.22 | 101.53 | 75.90 |
| Capital assets | 80.28 | 82.85 | 40.58 | 33.94 | 120.86 | 116.79 |
| Total Assets | 156.85 | 142.53 | 65.54 | 50.16 | 222.39 | 192.69 |
| Current and other liabilities | 17.58 | 17.08 | 6.05 | 3.03 | 23.63 | 20.11 |
| Long-term liabilities | 70.83 | 70.98 | 9.92 | 8.80 | 80.75 | 79.78 |
| Total Liabilities | 88.41 | 88.06 | 15.97 | 11.83 | 104.38 | 99.89 |
| Invested in capital assets, net of related debt | 4.67 | 11.25 | 35.10 | 27.17 | 39.77 | 38.42 |
| Restricted net assets | 44.45 | 37.00 | .31 | 0.31 | 44.76 | 37.31 |
| Unrestricted net assets | 19.32 | 6.22 | 14.16 | 10.85 | 33.48 | 17.07 |
| Total Net Assets | 68.44 | 54.47 | 49.57 | 38.33 | 118.01 | 92.80 |

The Statement of Net Assets for governmental activities for the fiscal year ending June 30, 2006 shows an investment in capital assets, net of related debt, of about \$4.67 million, with an unrestricted net assets amount of \$19.32 million. The County's business-type activities show \$14.16 million in unrestricted net assets, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

The net assets of business-type activities generally are not used to make up for any deficit in governmental activities. Historically, the County only uses these net assets to finance the continuing operations of the business-type activities they support.

Table 2

Selected Highlights from the Statement of Activities as of June 30, 2006 and 2005:

| | (In millions of dollars) | | | | | | |
|---|--------------------------|----------------------|--------------------------|--------------------|-----------------|---------------|--|
| | Governmental Activities | | Business-Type Activities | | Component Units | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | |
| Program Revenues | | | | | | | |
| Charges for Services | 9.53 | 10.36 | 19.75 | 15.32 | 3.04 | 3.29 | |
| Operating & Capital Grants | 8.94 | 10.64 | 8.72 | 2.00 | 43.09 | 33.90 | |
| General Revenues | | | | | | | |
| Property Taxes | 54.25 | 51.12 | - | - | | - | |
| Local Taxes | 58.82 | 51.06 | - | - | | - | |
| Other (including transfers) | 1.62 | (53.19) ¹ | 3.59 | 1.24 | 117.34 | 114.97 | |
| Total Revenues | 133.16 | 69.99 | 32.06 | 18.56 | 163.47 | 152.16 | |
| Program Expenses | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | 15.07 | 14.55 | - | - | - | - | |
| Public Safety | 22.73 | 20.59 | - | - | - | - | |
| Public Works | 9.30 | 8.49 | - | - | - | - | |
| Health & Welfare | 5.84 | 5.68 | - | - | - | - | |
| Education | 59.77 | 6.32 ¹ | - | - | - | - | |
| Culture and Recreation | 3.15 | 6.16 | - | - | - | - | |
| Interest on Long-term debt | 3.33 | 1.08 | - | - | - | - | |
| Business-Type Activities | | | | | | | |
| Solid Waste | - | - | 5.31 | 5.50 | - | - | |
| Airport | - | - | 2.17 | 2.09 | - | - | |
| Nursing Home | - | - | 6.98 | 6.46 | - | - | |
| Youth & Civic Center | - | - | 5.03 | 0 ² | - | - | |
| Other | - | - | 1.33 | 2.28 | - | - | |
| Component Units | | | | | | | |
| Board of Education | - | - | - | - | 149.33 | 138.23 | |
| Library (and Other in FY04) | - | - | - | - | 2.49 | 2.30 | |
| Total Expenses | 119.19 | 62.87 | 20.82 | 16.33 | 151.82 | 140.53 | |
| Change in Net Assets | 13.97 | 7.12 | 11.24 | 2.23 | 11.65 | 11.63 | |
| Net Assets - Beginning of year ¹ | 54.47 | 52.05 ³ | 38.33 | 31.29 ³ | 121.14 | 110.03 | |
| Net Assets - End of year | 68.44 | 59.17 | 49.57 | 33.52 | 132.79 | 121.66 | |

¹ Change from FY05 due to inclusion of Board of Education in Governmental Activities instead of Component Units.² Prior to FY2006, the Youth & Civic Center was part of the General Fund.³ Net Assets – Beginning of year is restated as explained in the notes to the financial statements on pages 61-63.

Table 2 shows that the County's total net assets increased by about \$36.9 million. This increase was primarily the result of greater than expected local income tax distributions, increased recordation and interest revenues, and revenues over expenditures in the enterprise funds, and from controlling expenses.

Table 3

Net Cost of Governmental and Business-Type Activities:

| | (In millions of dollars) | | | | | |
|----------------------|--------------------------|-------|--------------|-------|--------------------|--------|
| | Revenues | | Expenditures | | Net Cost (Revenue) | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Governmental | | | | | | |
| General government | 3.65 | 3.92 | 15.07 | 14.55 | 11.42 | 10.62 |
| Public safety | 7.57 | 7.46 | 22.73 | 20.59 | 15.16 | 17.13 |
| Public works | 1.40 | 1.06 | 9.30 | 8.49 | 7.90 | 7.43 |
| Education | - | - | 59.77 | 60.37 | 59.77 | 60.37 |
| Others | 5.84 | 8.56 | 12.32 | 14.20 | 6.48 | 5.64 |
| Business Type | 28.47 | 17.37 | 20.82 | 16.34 | 7.65 | (1.03) |

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. Transfers out, a function of general revenue in the financial statements, are included under expenditures above as they represent a cost to the general fund.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS FUND FINANCIAL STATEMENTS

The County's fund financial statements begin on page 13 and provide detailed information about the most significant funds, as opposed to the government-wide financial statements that provide information about the government as a whole. Some funds are required to be established by legislation or other restrictions, but the County Council can also establish other funds to help it manage money for particular purposes, such as grants. Under accounting standards, the County's two types of funds – governmental and proprietary (enterprise) – use different accounting approaches.

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

The County's governmental funds (as presented on pages 13-16) report a combined fund balance of \$65.9 million.

The General Fund

For fiscal year 2006, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$108,526,433. After adjusting for carryforward, Tourism expenditures and transfers in, and approved uses of the contingency fund, the final budgetary appropriation was \$109,395,563. The County spent about \$105.8 million, an increase over last year of about \$4.62 million. Revenues exceeded expectations and were about \$118.5 million, an increase over last year of about \$7.7 million. Revenues exceeded expenditures by about \$12.7 million, leading to an increase in the general fund balance.

Enterprise Funds

The County has a number of enterprise funds. All of the major funds showed a positive change in net assets except (1) the Convention & Visitors Bureau (Tourism), which had a negative \$3,000 change; however, the income to cover this loss is in the General Fund and (2) the Drill Academy, which was folded into the General Fund. While a number of these funds show operating losses those losses include depreciation, a non-cash expense, and when non-operating revenues are added in, all but Tourism show a net gain.

Capital Asset and Debt Administration

At the end of fiscal year 2006, the County's primary government had about \$119 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, 2006

| | (In millions of dollars) | | | | | |
|---|--------------------------|-----------------|--------------------------|-----------------|----------|-----------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2006 | 2005 (restated) | 2006 | 2005 (restated) | 2006 | 2005 (restated) |
| Land, Buildings & Infrastructure | 222.17 | 220.11 | 80.90 | 72.23 | 303.07 | 292.34 |
| Accumulated Depreciation | (141.89) | (137.26) | (40.32) | (38.29) | (182.21) | (175.55) |
| Total Capital Assets, Net of Depreciation | 80.28 | 82.85 | 40.58 | 33.94 | 120.86 | 116.79 |

Major projects funded in 2006 include school and community college projects; public works, recreation and Library projects; various projects at the Airport, and miscellaneous improvements to buildings.

The County's fiscal year 2007 capital budget calls for it to spend \$19,324,408 for capital projects for school construction and repairs at both the Board of Education and Wor-Wic Community College, public works projects, and various capital improvements around the County, including various activities at Recreation and Parks and the Airport. Of this amount, \$11,225,000 is bonded and the balance comes from fund balance (\$6,000,000) and grants. More detail about the County's capital assets is presented in the Capital Assets footnote to the financial statements beginning on page 34.

Debt

At year-end, the County had about \$76.2 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs. million last year – an increase of about 1.75 percent – as shown in table 5. This reflects the Council's intention to fund high priority projects but keep debt service relatively stable.

Table 5
Outstanding Debt at Year-End

| | (In millions of dollars) | | | | | |
|--------------------------------|--------------------------|-----------------|--------------------------|-----------------|--------------|-----------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2006 | 2005 (restated) | 2006 | 2005 (restated) | 2006 | 2005 (restated) |
| General obligation bonds* | 73.48 | 71.77 | 1.98 | 2.19 | 75.46 | 73.96 |
| Loans | .47 | .53 | .28 | .46 | .75 | .99 |
| Leases and notes payable | .14 | .27 | 1.68 | .20 | 1.82 | .47 |
| Debt not subject to limitation | (0.14) | (0.27) | (1.73) | (.29) | (1.87) | (0.56) |
| Totals | 73.95 | 72.30 | 2.21 | 2.56 | 76.16 | 74.86 |

*Includes revenue bonds for businesslike activities

The County's general obligation bond rating in fiscal year 2006 was A+ from both Standard and Poor's and Fitch, and A2 from Moody's. The County was re-rated in fiscal year 2007 and retained those ratings.

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 \$76.2 million is significantly below this \$183.3 million limit.

THE COUNTY AS TRUSTEE REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

The County is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The County has one agency fund – the Inmate Welfare Fund at the Wicomico County Detention Center. Both funds are reported separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 20-21. We exclude fiduciary activities from the County's other financial statements because the County cannot use these assets to finance its operation. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND CHANGE OF GOVERNMENT

The County's elected and appointed officials considered many factors when setting the fiscal-year 2007 budget, tax rates, and fees that will be charged for the business-type activities, including:

- The economy. The County's unemployment rate as of June 30, 2006 was 3.9 percent versus 4.2 percent a year ago., The State rate was 4.1 percent and the national rate was 4.8 percent, highlighting the robust economy in the County. Our local income tax revenue is expected to increase based on trend analysis and continued growth in the County. .
- State funding. The County is required by charter to strike its fiscal year 2007 budget before the State strikes its budget, leaving the issue of State funding for certain programs uncertain.
- The revenue cap. The County is required to set the tax rate to cap revenue from real property taxes (excluding new construction) at the lesser of 2 percent or the CPI-U. As the County assessable base increases, the County must lower the tax rate to conform to the cap. This also affects the personal property tax rate, which is set by law at 2.5 times the real property tax rate. For fiscal year 2007, the real property tax rate was lowered from \$0.993 to \$0.942 per \$100 of assessed value, and the personal property tax rate was therefore also lowered from \$2.483 to \$2.355 per \$100.

These factors were taken into account when adopting the general fund budget for fiscal year 2007. Amounts available for appropriation in the general fund budget are \$126.4 million, an increase of about 16.5% over the fiscal 2006 budget of \$108.5 million. The County will use this increase to finance programs we currently offer, including the effect we expect inflation to have on program costs, help offset prior cuts in State funding for Roads, pay for capital projects at the Board of Education and County facilities not covered by the Capital Improvements Program, accelerate funding of the County's pension liability, and fund self-insurance and utility reserves. As for the County's business-type activities, we expect the 2007 results will not be significantly different from the 2006 results.

The County changed its form of government in November 2006 when it elected its first County Executive. The executive powers of the County Council moved to the new County Executive, and the Council retained its legislative powers. Under the new Charter, the Executive prepares the operating budget and the Council has no power to increase any proposed appropriation but may lower it. The FY2007 budget included transition costs

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, please contact one of the following:

| | | | | |
|---------------------------|-------------------------------|----|-------------------------------|--------------|
| Policy Decisions | County Executive Rick Pollitt | or | County Administrator Ted Shea | 410-548-4801 |
| Financial Results | Director of Finance | | Patricia Petersen | 410-548-4840 |
| Fund Financial Statements | Chief Accountant | | John Ellis | 410-548-4844 |

BASIC FINANCIAL
STATEMENTS

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2006

Primary Government

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|-----------------------|
| ASSETS | | | |
| Cash and equivalents | \$ 61,854,782 | \$ 19,742,824 | \$ 81,597,606 |
| Investments | - | 200,000 | 200,000 |
| Receivables | 2,812,549 | 1,869,626 | 4,682,175 |
| Internal balances | 2,157,896 | (2,157,896) | - |
| Due from other governmental agencies | 9,311,091 | 5,174,849 | 14,485,940 |
| Inventories | 306,298 | 66,494 | 372,792 |
| Other assets | 134,830 | 55,975 | 190,805 |
| Restricted cash | - | - | - |
| Capital assets, net | | | |
| Net capital assets | 80,278,604 | 40,584,710 | 120,863,314 |
| Total assets | <u>156,856,050</u> | <u>65,536,582</u> | <u>222,392,632</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 6,141,430 | 3,786,052 | 9,927,482 |
| Accrued payroll and taxes | 683,120 | 234,043 | 917,163 |
| Due to other governmental agencies | 289,147 | 261,364 | 550,511 |
| Deferred revenues | 2,341,241 | 691,629 | 3,032,870 |
| Long-term liabilities | | | |
| Due within one year | | | |
| Capital lease obligations | 136,515 | 487,410 | 623,925 |
| Bonds, notes and loans payable | 6,777,137 | 504,127 | 7,281,264 |
| Accrued interest | 457,957 | 15,389 | 473,346 |
| Compensated absences | 641,457 | 75,063 | 716,520 |
| Due to other governmental agencies | 117,705 | - | 117,705 |
| Due in more than one year | | | |
| Capital lease obligations | - | 1,196,073 | 1,196,073 |
| Bonds, notes and loans payable | 67,176,070 | 3,303,093 | 70,479,163 |
| Net pension obligation | 695,420 | - | 695,420 |
| Compensated absences | 1,832,734 | 228,006 | 2,060,740 |
| Due to other governmental agencies | 1,121,887 | - | 1,121,887 |
| Accrued landfill closure and postclosure costs | - | 5,190,016 | 5,190,016 |
| Total liabilities | <u>88,411,820</u> | <u>15,972,265</u> | <u>104,384,085</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 4,674,084 | 35,094,007 | 39,768,091 |
| Restricted for: | | | |
| Capital projects | 15,385,866 | - | 15,385,866 |
| Debt Service | - | 222,789 | 222,789 |
| Other projects | 29,064,531 | 83,595 | 29,148,126 |
| Unrestricted | 19,319,749 | 14,163,926 | 33,483,675 |
| Total net assets | <u>\$ 68,444,230</u> | <u>\$ 49,564,317</u> | <u>\$ 118,008,547</u> |

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

Component Units

| <u>Board of Education</u> | <u>Wicomico Free Library</u> | <u>Total Component Units</u> | <u>Total</u> |
|-------------------------------|----------------------------------|--------------------------------------|-----------------------|
| \$ 2,667,852 | \$ 498,877 | \$ 3,166,729 | \$ 84,764,335 |
| 9,128,331 | - | 9,128,331 | 9,328,331 |
| 703,201 | 45,185 | 748,386 | 5,430,561 |
| - | - | - | - |
| 4,230,848 | - | 4,230,848 | 18,716,788 |
| 67,924 | - | 67,924 | 440,716 |
| - | - | - | 190,805 |
| 4,298,571 | - | 4,298,571 | 4,298,571 |
| <u>125,081,226</u> | <u>2,107,010</u> | <u>127,188,236</u> | <u>248,051,550</u> |
| <u>146,177,953</u> | <u>2,651,072</u> | <u>148,829,025</u> | <u>371,221,657</u> |
| 10,233,004 | 20,080 | 10,253,084 | 20,180,566 |
| 427,591 | 9,892 | 437,483 | 1,354,646 |
| - | - | - | 550,511 |
| 1,792,364 | - | 1,792,364 | 4,825,234 |
| 721,414 | - | 721,414 | 1,345,339 |
| - | - | - | 7,281,264 |
| - | - | - | 473,346 |
| 156,813 | 69,460 | 226,273 | 942,793 |
| - | - | - | 117,705 |
| 834,920 | - | 834,920 | 2,030,993 |
| - | - | - | 70,479,163 |
| - | - | - | 695,420 |
| 1,704,446 | 68,372 | 1,772,818 | 3,833,558 |
| - | - | - | 1,121,887 |
| - | - | - | 5,190,016 |
| <u>15,870,552</u> | <u>167,804</u> | <u>16,038,356</u> | <u>120,422,441</u> |
| 123,524,892 | 2,107,010 | 125,631,902 | 165,399,993 |
| 468,089 | - | 468,089 | 15,853,955 |
| - | - | - | 222,789 |
| 4,685,887 | 19,259 | 4,705,146 | 33,853,272 |
| 1,628,533 | 356,999 | 1,985,532 | 35,469,207 |
| <u>\$ 130,307,401</u> | <u>\$ 2,483,268</u> | <u>\$ 132,790,669</u> | <u>\$ 250,799,216</u> |

**WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

| <u>Functions/Programs</u> | <u>Primary Government</u> | | | |
|--------------------------------|---------------------------|---|---|---|
| | <u>Expenses</u> | <u>Program Revenue</u> | | |
| | | <u>Charges for Services, Fees, Fines, Forfeitures</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government | | | | |
| Governmental Activities | | | | |
| General Government | \$ 15,073,496 | \$ 2,114,647 | \$ 1,538,530 | \$ - |
| Public Safety | 22,729,120 | 5,196,333 | 2,376,265 | - |
| Public Works | 9,298,869 | 864,672 | 539,112 | - |
| Health and Welfare | 5,838,660 | 124,833 | 3,519,745 | - |
| Education | 59,768,487 | - | - | - |
| Culture and Recreation | 3,154,719 | 1,226,937 | 964,312 | - |
| Interest on Long-term debt | 3,328,795 | - | - | - |
| Total governmental activities | <u>119,192,146</u> | <u>9,527,422</u> | <u>8,937,964</u> | <u>-</u> |
| Business-type Activities | | | | |
| Solid Waste | 5,314,169 | 6,831,493 | - | - |
| Airport | 2,174,162 | 889,700 | 8,695,886 | - |
| Nursing Home | 6,976,404 | 7,046,086 | - | - |
| Urban Services | 438,329 | 378,934 | - | - |
| Convention & Visitors Bureau | 842,547 | 179,237 | 27,051 | - |
| Civic Center | 5,027,361 | 4,355,062 | - | - |
| Other business-type activities | 49,754 | 69,285 | - | - |
| Total business-type activities | <u>20,822,726</u> | <u>19,749,797</u> | <u>8,722,937</u> | <u>-</u> |
| Total primary government | <u>\$ 140,014,872</u> | <u>\$ 29,277,219</u> | <u>\$ 17,660,901</u> | <u>\$ -</u> |
| Component Units | | | | |
| Board of Education | \$ 149,335,489 | \$ 2,934,763 | \$ 29,626,511 | \$ 12,475,654 |
| Wicomico County Free Library | 2,496,103 | 104,563 | 991,891 | - |
| Total component units | <u>\$ 151,831,592</u> | <u>\$ 3,039,326</u> | <u>\$ 30,618,402</u> | <u>\$ 12,475,654</u> |

General revenues:

Taxes:
 Property taxes, levied for general purposes
 Income and other miscellaneous taxes
Grants and contributions not restricted to specific programs
Payment from Wicomico County - unrestricted contributions
Unrestricted investment earnings
Miscellaneous
Special item - gain on sale of land
Transfers
 Total general revenues, special items, and transfers
Change in net assets
Net assets, as restated - beginning
Net assets - ending

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

| <u>Net (Expense) Revenue and Changes in Net Assets</u> | | | <u>Component Units</u> | | | |
|--|---------------------------------|------------------------|---------------------------|------------------------------|------------------------------|-------------------------|
| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Board of Education</u> | <u>Wicomico Free Library</u> | <u>Total Component Units</u> | <u>Total</u> |
| \$ (11,420,319) | | \$ (11,420,319) | \$ - | \$ - | \$ - | \$ (11,420,319) |
| (15,156,522) | - | (15,156,522) | - | - | - | (15,156,522) |
| (7,895,085) | - | (7,895,085) | - | - | - | (7,895,085) |
| (2,194,082) | - | (2,194,082) | - | - | - | (2,194,082) |
| (59,768,487) | - | (59,768,487) | - | - | - | (59,768,487) |
| (963,470) | - | (963,470) | - | - | - | (963,470) |
| (3,328,795) | - | (3,328,795) | - | - | - | (3,328,795) |
| <u>(100,726,760)</u> | <u>-</u> | <u>(100,726,760)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(100,726,760)</u> |
| - | 1,517,324 | 1,517,324 | - | - | - | 1,517,324 |
| - | 7,411,424 | 7,411,424 | - | - | - | 7,411,424 |
| - | 69,682 | 69,682 | - | - | - | 69,682 |
| - | (59,395) | (59,395) | - | - | - | (59,395) |
| - | (636,259) | (636,259) | - | - | - | (636,259) |
| - | (672,299) | (672,299) | - | - | - | (672,299) |
| - | 19,531 | 19,531 | - | - | - | 19,531 |
| - | 7,650,008 | 7,650,008 | - | - | - | 7,650,008 |
| <u>\$ (100,726,760)</u> | <u>\$ 7,650,008</u> | <u>\$ (93,076,752)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (93,076,752)</u> |
| \$ - | \$ - | \$ - | \$ (104,298,561) | \$ - | \$ (104,298,561) | \$ (104,298,561) |
| - | - | - | - | (1,399,649) | (1,399,649) | (1,399,649) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (104,298,561)</u> | <u>\$ (1,399,649)</u> | <u>\$ (105,698,210)</u> | <u>\$ (105,698,210)</u> |
| \$ 54,254,073 | \$ - | \$ 54,254,073 | \$ - | \$ - | \$ - | \$ 54,254,073 |
| 58,825,554 | 717,011 | 59,542,565 | - | - | - | 59,542,565 |
| 321,550 | - | 321,550 | 68,052,447 | 7,340 | 68,059,787 | 68,381,337 |
| - | - | - | 46,925,458 | 1,306,400 | 48,231,858 | 48,231,858 |
| 2,542,842 | 712,073 | 3,254,915 | 681,292 | 10,525 | 691,817 | 3,946,732 |
| 503,935 | 479,061 | 982,996 | 339,652 | 21,637 | 361,289 | 1,344,285 |
| 18,264 | (87,853) | (69,589) | - | - | - | (69,589) |
| (1,764,992) | 1,764,992 | - | - | - | - | - |
| <u>114,701,226</u> | <u>3,585,284</u> | <u>118,286,510</u> | <u>115,998,849</u> | <u>1,345,902</u> | <u>117,344,751</u> | <u>235,631,261</u> |
| 13,974,466 | 11,235,292 | 25,209,758 | 11,700,288 | (53,747) | 11,646,541 | 36,856,299 |
| 54,469,764 | 38,329,025 | 92,798,789 | 118,607,113 | 2,537,015 | 121,144,128 | 213,942,917 |
| <u>\$ 68,444,230</u> | <u>\$ 49,564,317</u> | <u>\$ 118,008,547</u> | <u>\$ 130,307,401</u> | <u>\$ 2,483,268</u> | <u>\$ 132,790,669</u> | <u>\$ 250,799,216</u> |

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

| | <u>General Fund</u> | <u>Grants Funds</u> | <u>Capital Projects</u> | <u>Roads</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------------|---------------------|-------------------------|---------------------|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 30,049,815 | \$ 2,696,208 | \$ 19,632,125 | \$ 6,465,308 | \$ 3,011,326 | \$ 61,854,782 |
| Taxes receivable, net | 898,553 | - | - | - | - | 898,553 |
| Other receivables | 480,549 | 69,376 | - | 809,369 | 947 | 1,360,241 |
| Due from other funds | 3,551,221 | - | - | - | 10,000 | 3,561,221 |
| Receivable from other governments | 7,493,494 | 1,723,826 | 93,771 | - | - | 9,311,091 |
| Inventories | - | - | - | 302,183 | 4,115 | 306,298 |
| Prepaid expenses | 134,830 | - | - | - | - | 134,830 |
| Total assets | <u>42,608,462</u> | <u>4,489,410</u> | <u>19,725,896</u> | <u>7,576,860</u> | <u>3,026,388</u> | <u>77,427,016</u> |
| | | | | | | |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 1,844,064 | 1,009,021 | 2,170,567 | 990,863 | 126,915 | 6,141,430 |
| Accrued payroll and taxes | 623,876 | 6,331 | - | 52,913 | - | 683,120 |
| Due to other funds | - | 1,084,522 | 154 | 250,000 | 68,649 | 1,403,325 |
| Payable to other governments | 289,147 | - | - | - | - | 289,147 |
| Deferred revenues | 649,410 | 555,094 | - | - | 1,136,737 | 2,341,241 |
| Accrued compensated absences | 550,139 | 10,483 | - | 80,835 | - | 641,457 |
| Total liabilities | <u>3,956,636</u> | <u>2,665,451</u> | <u>2,170,721</u> | <u>1,374,611</u> | <u>1,332,301</u> | <u>11,499,720</u> |
| | | | | | | |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | - | - | 302,183 | 4,115 | 306,298 |
| Encumbrances | 424,204 | 786,728 | 199,562 | 1,838,771 | 162,674 | 3,411,939 |
| Prepaid expenses | 134,830 | - | - | - | - | 134,830 |
| Other purposes | 6,000,000 | - | 17,355,613 | - | - | 23,355,613 |
| Unreserved: | | | | | | |
| Designated for: | | | | | | |
| Subsequent years' expenditures | 7,252,537 | - | - | - | - | 7,252,537 |
| Fund purposes | 8,355,137 | 1,037,231 | - | 4,061,295 | 1,527,298 | 14,980,961 |
| Unreserved and undesignated | 16,485,118 | - | - | - | - | 16,485,118 |
| Total fund balances | <u>38,651,826</u> | <u>1,823,959</u> | <u>17,555,175</u> | <u>6,202,249</u> | <u>1,694,087</u> | <u>65,927,296</u> |
| Total liabilities and fund balances | <u>\$ 42,608,462</u> | <u>\$ 4,489,410</u> | <u>\$ 19,725,896</u> | <u>\$ 7,576,860</u> | <u>\$ 3,026,388</u> | <u>\$ 77,427,016</u> |

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

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006

| | | |
|--|----|--------------|
| Total fund balance, governmental funds | \$ | 65,927,296 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. | | |
| | | 80,278,604 |
| Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. | | |
| | | 553,755 |
| Long term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the funds: | | |
| Long-term debt | | (73,953,207) |
| Capital leases | | (136,515) |
| Other long-term liabilities | | (1,239,592) |
| Accrued interest | | (457,957) |
| Compensated absences and net pension obligation | | (2,528,154) |
| | | (78,715,425) |
| Net Assets of Governmental Activities in the Statement of Net Assets | \$ | 68,444,230 |

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, 2006

| | <u>General Fund</u> | <u>Grants Funds</u> | <u>Capital Projects</u> | <u>Roads</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------|-------------------------|------------------|---------------------------------|---------------------------------|
| REVENUES | | | | | | |
| Property taxes | \$ 54,254,071 | - | - | \$ - | - | \$ 54,254,071 |
| Income taxes | 43,808,353 | - | - | - | - | 43,808,353 |
| Other taxes | 7,659,631 | - | - | 6,952,727 | 404,843 | 15,017,201 |
| Licenses and permits | 1,321,312 | - | - | - | - | 1,321,312 |
| Intergovernmental | 2,499,813 | 6,499,201 | - | 259,961 | 288 | 9,259,263 |
| Charges for services | 5,956,435 | - | - | 836,404 | 1,256,135 | 8,048,974 |
| Court fines and forfeitures | 157,138 | - | - | - | - | 157,138 |
| Miscellaneous | 453,081 | 64,495 | - | 11,435 | 39,512 | 568,523 |
| Investment earnings | 2,355,160 | 17,184 | - | 79,475 | 49,644 | 2,501,463 |
| Contributions and endowments | - | - | - | - | 250 | 250 |
| Total revenues | 118,464,994 | 6,580,880 | - | 8,140,002 | 1,750,672 | 134,936,548 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 7,363,154 | - | 1,400 | - | - | 7,364,554 |
| Public safety | 10,672,156 | 1,474,908 | 63,424 | - | 90,371 | 12,300,859 |
| Detention Center | 10,250,423 | - | - | - | - | 10,250,423 |
| Public works | 729,356 | 219,699 | 170,722 | 6,361,681 | 138,058 | 7,619,516 |
| Health | 2,393,468 | - | 27,042 | - | - | 2,420,510 |
| Social services | 117,863 | 3,345,534 | - | - | - | 3,463,397 |
| Education | 51,302,074 | - | 8,463,826 | - | - | 59,765,900 |
| Recreation and culture | 1,575,153 | 402,699 | 89,556 | - | 779,675 | 2,847,083 |
| Miscellaneous | 8,934,555 | - | - | - | 281,047 | 9,215,602 |
| Debt Service: | | | | | | |
| Principal | 6,665,965 | - | - | 176,325 | 26,343 | 6,868,633 |
| Interest and other charges | 3,110,151 | - | 73,579 | 65,306 | 11,403 | 3,260,439 |
| Total expenditures | 103,114,318 | 5,442,840 | 8,889,549 | 6,603,312 | 1,326,897 | 125,376,916 |
| Excess (deficiency) of revenues over expenditures | 15,350,676 | 1,138,040 | (8,889,549) | 1,536,690 | 423,775 | 9,559,632 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from long-term debt, net | - | - | 8,525,000 | - | - | 8,525,000 |
| Other source | 96,926 | - | - | - | - | 96,926 |
| Transfers in | 219,065 | 29,842 | 985,000 | 683,000 | 24,384 | 1,941,291 |
| Transfers out | (3,015,676) | (519) | (450,532) | - | (239,556) | (3,706,283) |
| Total other financing sources (uses) | (2,699,685) | 29,323 | 9,059,468 | 683,000 | (215,172) | 6,856,934 |
| Net change in fund balances | 12,650,991 | 1,167,363 | 169,919 | 2,219,690 | 208,603 | 16,416,566 |
| Fund balances, as restated - beginning | 26,000,835 | 656,596 | 17,385,256 | 3,982,559 | 1,485,484 | 49,510,730 |
| Fund balances - ending | \$ 38,651,826 | \$ 1,823,959 | \$ 17,555,175 | \$ 6,202,249 | \$ 1,694,087 | \$ 65,927,296 |

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

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds: \$ 16,416,566

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

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

This is the amount by which depreciation \$5,369,874 exceed capital outlays - \$2,821,021 in the current period. (2,548,853)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (22,221)

Governmental funds report loans as expenditures. In contrast, the Statement of Activities reports the loans as notes receivable. Governmental funds report the principal and interest payments received on those loans as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the interest payments. Thus, the change in net assets differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans. (79,646)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (1,519,560)

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 | 111,656 |
| Accrued interest not reflected on Governmental funds | (177) |
| Net pension obligation | 1,731,041 |
| Accrued compensated absences not reflected on Governmental funds | (114,340) |
| | 13,974,466 |

Change in net assets of governmental activities \$ 13,974,466

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2006

| | Enterprise Funds | | |
|---|------------------|---------------|-----------------|
| | Solid Waste | Airport | Nursing Home |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 14,728,616 | \$ 504,405 | \$ 1,392,449 |
| Certificates of deposit | - | - | 200,000 |
| Accounts receivable, net | 711,719 | 58,143 | 792,850 |
| Other receivables | 5,026 | - | - |
| Due from other funds | 250,000 | - | - |
| Receivables from other governments | - | 5,161,148 | - |
| Inventories | - | - | 49,165 |
| Deferred charges and prepaid expenses | 6,417 | - | 14,675 |
| Total current assets | 15,701,778 | 5,723,696 | 2,449,139 |
| Non-current assets: | | | |
| Restricted cash | - | - | - |
| Capital Assets: | | | |
| Construction in progress | - | 822,332 | - |
| Land and improvements | 257,870 | 4,408,995 | 46,623 |
| Land disposal sites - liner costs | 10,753,417 | - | - |
| Runways and ramps | - | 25,886,667 | - |
| Buildings and improvements | 378,158 | 10,672,628 | 3,055,688 |
| Equipment and furniture | 4,467,062 | 1,242,594 | 1,315,047 |
| Vehicles | 1,557,246 | - | 8,990 |
| Less Accumulated depreciation | (10,502,162) | (19,489,431) | (1,963,416) |
| Total non-current assets | 6,911,591 | 23,543,785 | 2,462,932 |
| Total assets | 22,613,369 | 29,267,481 | 4,912,071 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 149,701 | 2,775,513 | 658,254 |
| Accrued payroll and taxes | 131,945 | 7,699 | 68,515 |
| Accrued interest payable | 11,835 | 463 | - |
| Due to other funds | 471,798 | 1,596,029 | - |
| Due to other governmental entities | - | - | 261,364 |
| Deferred revenues | 189,247 | 49,432 | - |
| Compensated absences | 33,829 | 13,149 | - |
| Capital lease obligation | 487,410 | - | - |
| Bonds, notes and loans payable | 306,770 | 15,692 | 116,476 |
| Total current liabilities | 1,782,535 | 4,457,977 | 1,104,609 |
| Non-current liabilities: | | | |
| Compensated absences | 119,552 | 23,919 | - |
| Capital lease obligation | 1,196,072 | - | - |
| Bonds, notes and loans payable | 1,114,511 | 203,197 | 1,426,491 |
| Accrued landfill closure and postclosure costs | 5,190,016 | - | - |
| Total non-current liabilities | 7,620,151 | 227,116 | 1,426,491 |
| Total liabilities | 9,402,686 | 4,685,093 | 2,531,100 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 3,806,828 | 23,324,896 | 919,965 |
| Restricted for debt service | - | - | - |
| Restricted for other purposes | - | - | - |
| Unrestricted | 9,403,855 | 1,257,492 | 1,461,006 |
| Total net assets | \$ 13,210,683 | \$ 24,582,388 | \$ 2,380,971 |

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

| <u>Drill Academy</u> | <u>Convention & Visitors Bureau</u> | | | <u>Other</u> | <u>Total</u> |
|----------------------|---|------------------------|---------------------|-------------------------|----------------------|
| | <u>Urban Services</u> | <u>Visitors Bureau</u> | <u>Civic Center</u> | <u>Enterprise Funds</u> | |
| - | \$ 1,405,212 | \$ 266,071 | \$ 1,369,921 | \$ 76,150 | \$ 19,742,824 |
| - | - | - | - | - | 200,000 |
| - | 108,462 | 113,808 | 50,986 | 22,115 | 1,858,083 |
| - | 6,517 | - | - | - | 11,543 |
| - | - | - | - | 6,643 | 256,643 |
| - | 13,701 | - | - | - | 5,174,849 |
| - | - | - | 17,329 | - | 66,494 |
| - | 838 | 34,045 | - | - | 55,975 |
| - | <u>1,534,730</u> | <u>413,924</u> | <u>1,438,236</u> | <u>104,908</u> | <u>27,366,411</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | 822,332 |
| - | 1,878,754 | - | 409,289 | - | 7,001,531 |
| - | - | - | - | - | 10,753,417 |
| - | - | - | - | - | 25,886,667 |
| - | - | 552,195 | 12,409,418 | - | 27,068,087 |
| - | - | 106,428 | 665,308 | - | 7,796,439 |
| - | - | 7,200 | 6,200 | - | 1,579,636 |
| - | (1,468,068) | (197,860) | (6,702,462) | - | (40,323,399) |
| - | <u>410,686</u> | <u>467,963</u> | <u>6,787,753</u> | - | <u>40,584,710</u> |
| - | <u>1,945,416</u> | <u>881,887</u> | <u>8,225,989</u> | <u>104,908</u> | <u>67,951,121</u> |
| - | 71,884 | 88,673 | 38,334 | 3,693 | 3,786,052 |
| - | - | 5,839 | 19,201 | 844 | 234,043 |
| - | 1,685 | 1,406 | - | - | 15,389 |
| - | 137,692 | - | 207,984 | 1,036 | 2,414,539 |
| - | - | - | - | - | 261,364 |
| - | 27,903 | - | 425,047 | - | 691,629 |
| - | - | 7,101 | 20,984 | - | 75,063 |
| - | - | - | - | - | 487,410 |
| - | 30,000 | 10,339 | 24,850 | - | 504,127 |
| - | <u>269,164</u> | <u>113,358</u> | <u>736,400</u> | <u>5,573</u> | <u>8,469,616</u> |
| - | - | 19,147 | 65,388 | - | 228,006 |
| - | - | - | - | - | 1,196,072 |
| - | 25,000 | 143,350 | 390,545 | - | 3,303,094 |
| - | - | - | - | - | 5,190,016 |
| - | 25,000 | 162,497 | 455,933 | - | 9,917,188 |
| - | <u>294,164</u> | <u>275,855</u> | <u>1,192,333</u> | <u>5,573</u> | <u>18,386,804</u> |
| - | 355,686 | 314,274 | 6,372,358 | - | 35,094,007 |
| - | 222,789 | - | - | - | 222,789 |
| - | 83,595 | - | - | - | 83,595 |
| - | 989,182 | 291,758 | 661,298 | 99,335 | 14,163,926 |
| <u>\$ -</u> | <u>\$ 1,651,252</u> | <u>\$ 606,032</u> | <u>\$ 7,033,656</u> | <u>\$ 99,335</u> | <u>\$ 49,564,317</u> |

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

| | Enterprise Funds | | |
|--|-------------------------|----------------|---------------------|
| | Solid Waste | Airport | Nursing Home |
| REVENUES | | | |
| Charges for services | \$ 6,829,893 | \$ - | \$ 6,994,271 |
| Miscellaneous | 1,600 | 889,700 | 51,815 |
| Total operating revenues | 6,831,493 | 889,700 | 7,046,086 |
| OPERATING EXPENSES | | | |
| Personnel services | 1,853,300 | 381,650 | 4,429,322 |
| Contractual services | 733,343 | 18,877 | 863,410 |
| Utilities | 77,455 | 112,876 | 210,988 |
| Repairs and maintenance | 76,670 | 154,193 | 69,631 |
| Other supplies and expenses | 688,939 | 94,763 | 1,015,999 |
| Insurance claims and expenses | - | 32,258 | 143,850 |
| Provision for postclosure costs | 419,750 | - | - |
| Direct costs of events | - | - | - |
| Depreciation | 1,315,325 | 1,367,022 | 153,469 |
| Total operating expenses | 5,164,782 | 2,161,639 | 6,886,669 |
| Operating income (loss) | 1,666,711 | (1,271,939) | 159,417 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 556,888 | 20,259 | 37,922 |
| Miscellaneous revenue | - | - | 4,119 |
| Operating grants and contributions | - | 8,695,885 | - |
| Passenger facility charges, net of fees | - | 152,087 | - |
| Interest expense | (141,197) | (12,521) | (89,735) |
| Miscellaneous expenses | (8,190) | - | - |
| Total non-operating revenue (expenses) | 407,501 | 8,855,710 | (47,694) |
| Income (loss) before contributions and transfers | 2,074,212 | 7,583,771 | 111,723 |
| Transfers in | - | - | - |
| Transfers out | - | (47,580) | - |
| Special item - gain (loss) on sale of capital assets | (88,125) | 1,298 | - |
| Change in net assets | 1,986,087 | 7,537,489 | 111,723 |
| Total net assets, as restated - beginning | 11,224,596 | 17,044,899 | 2,269,248 |
| Total net assets - ending | \$ 13,210,683 | \$ 24,582,388 | \$ 2,380,971 |

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

| <u>Drill Academy</u> | <u>Urban Services</u> | <u>Convention & Visitors Bureau</u> | <u>Civic Center</u> | <u>Other Enterprise Funds</u> | <u>Total</u> |
|----------------------|-----------------------|---|---------------------|-------------------------------|---------------|
| - | \$ 383,555 | \$ - | 3,950,840 | \$ 69,285 | \$ 18,227,844 |
| - | (4,621) | 179,237 | 404,222 | - | 1,521,953 |
| - | 378,934 | 179,237 | 4,355,062 | 69,285 | 19,749,797 |
| - | - | 379,546 | 1,148,902 | 44,135 | 8,236,855 |
| - | 328,619 | 330,618 | 10,268 | 1,200 | 2,286,335 |
| - | - | 17,517 | 263,326 | 353 | 682,515 |
| - | - | 32,078 | 196,827 | - | 529,399 |
| - | 54,000 | 60,218 | 85,009 | 3,969 | 2,002,897 |
| - | - | - | - | 98 | 176,206 |
| - | - | - | - | - | 419,750 |
| - | - | - | 2,869,230 | - | 2,869,230 |
| - | 42,408 | 15,100 | 313,436 | - | 3,206,760 |
| - | 425,027 | 835,077 | 4,886,998 | 49,755 | 20,409,947 |
| - | (46,093) | (655,840) | (531,936) | 19,530 | (660,150) |
| - | 54,953 | - | 42,051 | - | 712,073 |
| - | 55,118 | 603,111 | 381,637 | - | 1,043,985 |
| - | - | 27,051 | - | - | 8,722,936 |
| - | - | - | - | - | 152,087 |
| - | (13,302) | (7,470) | (30,348) | - | (294,573) |
| - | - | - | (110,016) | - | (118,206) |
| - | 96,769 | 622,692 | 283,324 | - | 10,218,302 |
| - | 50,676 | (33,148) | (248,612) | 19,530 | 9,558,152 |
| 861,736 | - | 30,153 | 965,401 | - | 1,857,290 |
| - | - | - | (44,718) | - | (92,298) |
| - | - | - | (1,026) | - | (87,853) |
| 861,736 | 50,676 | (2,995) | 671,045 | 19,530 | 11,235,291 |
| (861,736) | 1,600,576 | 609,027 | 6,362,611 | 79,805 | 38,329,026 |
| \$ - | \$ 1,651,252 | \$ 606,032 | \$ 7,033,656 | \$ 99,335 | \$ 49,564,317 |

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

| | <u>Solid Waste</u> | <u>Airport</u> |
|--|------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 6,756,131 | \$ 1,048,086 |
| Payments to suppliers for goods and services | (1,507,022) | (2,656,596) |
| Payments to employees for services | (1,861,143) | (389,314) |
| Net cash provided (used) by operating activities | <u>3,387,966</u> | <u>(1,997,824)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Operating transfers | - | (47,580) |
| (Increase) decrease in due from other funds | 1,273,675 | 1,596,029 |
| Net cash provided by noncapital financing activities | <u>1,273,675</u> | <u>1,548,449</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Interest paid on notes and bonds payable | (141,197) | (12,521) |
| Acquisition and construction of capital assets | (224,675) | (9,030,581) |
| Principal payments on notes and bonds payable | (699,456) | (15,692) |
| Proceeds from sale of capital assets, net of expenses | (88,125) | 1,298 |
| Federal and state grants | - | 8,695,885 |
| Net cash provided (used) by capital and related financing activities | <u>(1,153,453)</u> | <u>(361,611)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 556,888 | 20,259 |
| Other income (expenses) | (8,190) | - |
| Net cash provided by investing activities | <u>548,698</u> | <u>20,259</u> |
| NET INCREASE (DECREASE) IN CASH | 4,056,886 | (790,727) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>10,671,730</u> | <u>1,295,132</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 14,728,616</u> | <u>\$ 504,405</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 1,666,711 | \$ (1,271,939) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 1,315,325 | 1,367,022 |
| Amortization | - | - |
| Passenger facility charges, net of fees | - | 152,087 |
| Provision for bad debt | - | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (179,948) | (9,767) |
| Other receivables | (5,000) | - |
| Prepaid expenses | 7,259 | - |
| Due to/from other governmental agencies | - | (4,489,313) |
| Inventories | - | - |
| Accounts payable and accrued expenses | 54,283 | 2,238,020 |
| Landfill closure and post-closure cost | 419,750 | - |
| Deferred revenues | 109,586 | 16,066 |
| Net cash provided (used) by operating activities | <u>\$ 3,387,966</u> | <u>\$ (1,997,824)</u> |

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

| Nursing Home | Urban Services | Convention & Visitors Bureau | Civic Center | Other Enterprise Funds | Total |
|---------------------|-----------------------|---|---------------------|-------------------------------|----------------------|
| \$ 6,940,499 | \$ 401,786 | \$ 160,879 | \$ 4,552,852 | \$ 47,170 | \$ 19,907,403 |
| (3,251,664) | (379,968) | (338,048) | (3,308,043) | (5,231) | (11,446,572) |
| (3,454,815) | - | (394,425) | (1,148,902) | (44,135) | (7,292,734) |
| <u>234,020</u> | <u>21,818</u> | <u>(571,594)</u> | <u>95,907</u> | <u>(2,196)</u> | <u>1,168,097</u> |
| - | - | 30,153 | 920,683 | - | 903,256 |
| - | 106,542 | 202,688 | (170,648) | 68,950 | 3,077,236 |
| - | <u>106,542</u> | <u>232,841</u> | <u>750,035</u> | <u>68,950</u> | <u>3,980,492</u> |
| (89,735) | (13,302) | (7,470) | (30,348) | - | (294,573) |
| (96,672) | - | - | (598,254) | - | (9,950,182) |
| (116,477) | (40,000) | (18,068) | (24,605) | - | (914,298) |
| - | - | - | - | - | (86,827) |
| - | - | 27,051 | - | - | 8,722,936 |
| <u>(302,884)</u> | <u>(53,302)</u> | <u>1,513</u> | <u>(653,207)</u> | <u>-</u> | <u>(2,522,944)</u> |
| 37,922 | 54,953 | - | 42,051 | - | 712,073 |
| 4,119 | 55,118 | 603,111 | 271,621 | - | 925,779 |
| <u>42,041</u> | <u>110,071</u> | <u>603,111</u> | <u>313,672</u> | <u>-</u> | <u>1,637,852</u> |
| (26,823) | 185,129 | 265,871 | 506,407 | 66,754 | 4,263,497 |
| <u>1,419,272</u> | <u>1,220,083</u> | <u>200</u> | <u>863,514</u> | <u>9,396</u> | <u>15,479,327</u> |
| <u>\$ 1,392,449</u> | <u>\$ 1,405,212</u> | <u>\$ 266,071</u> | <u>\$ 1,369,921</u> | <u>\$ 76,150</u> | <u>\$ 19,742,824</u> |
| \$ 159,417 | \$ (46,093) | \$ (655,840) | \$ (531,936) | \$ 19,530 | \$ (660,150) |
| 153,469 | 42,408 | 15,100 | 313,436 | - | 3,206,760 |
| 4,634 | - | - | - | - | 4,634 |
| - | - | - | - | - | 152,087 |
| 91,144 | - | - | - | - | 91,144 |
| (277,277) | 9,328 | (18,358) | (13,882) | (22,115) | (512,019) |
| - | 2,861 | - | - | - | (2,139) |
| - | 335 | 8,766 | - | - | 16,360 |
| 80,546 | 10,663 | - | - | - | (4,398,104) |
| 3,815 | - | - | (17,329) | - | (13,514) |
| 18,272 | 2,316 | 78,738 | 133,946 | 389 | 2,525,964 |
| - | - | - | - | - | 419,750 |
| - | - | - | 211,672 | - | 337,324 |
| <u>\$ 234,020</u> | <u>\$ 21,818</u> | <u>\$ (571,594)</u> | <u>\$ 95,907</u> | <u>\$ (2,196)</u> | <u>\$ 1,168,097</u> |

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

| | <u>Agency Funds</u> | <u>Pension Trust Fund</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 422,594 | \$ 6,749,067 | \$ 7,171,661 |
| Investments | - | 13,096,587 | 13,096,587 |
| TOTAL ASSETS | <u>\$ 422,594</u> | <u>\$ 19,845,654</u> | <u>\$ 20,268,248</u> |
| LIABILITIES | | | |
| Due to prison funds, June 30, 2005 | \$ 297,860 | \$ - | \$ 297,860 |
| Add: | | | |
| Receipts | 510,031 | - | 510,031 |
| Less: | | | |
| Withdrawals | <u>(385,297)</u> | <u>-</u> | <u>(385,297)</u> |
| Due to prison funds June 30, 2006 | <u>422,594</u> | <u>-</u> | <u>422,594</u> |
| TOTAL LIABILITIES | <u>\$ 422,594</u> | <u>\$ -</u> | <u>\$ 422,594</u> |
| NET ASSETS | | | |
| Held in trust for retirement benefits | <u>\$ -</u> | <u>\$ 19,845,654</u> | <u>\$ 19,845,654</u> |
| TOTAL NET ASSETS | <u>\$ -</u> | <u>\$ 19,845,654</u> | <u>\$ 19,845,654</u> |

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

**WICOMICO COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2006**

| | <u>Pension Trust Fund</u> |
|---|-------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 2,346,286 |
| Plan Members | 972,467 |
| Total contributions | 3,318,753 |
| Investment earnings: | |
| Net increase in fair value of investments | 1,472,409 |
| Total net investment earnings | 1,472,409 |
| Total additions | 4,791,162 |
| DEDUCTIONS | |
| Benefits | 1,272,554 |
| Administrative | 100,863 |
| Total deductions | 1,373,417 |
| Change in net assets | 3,417,745 |
| Net assets - beginning | 16,427,909 |
| Net assets - ending | \$ 19,845,654 |

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 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 prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more significant policies.

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 Council of Wicomico County, Maryland as the Primary Government. The component units are included in the reporting entity because the Primary Government approves budgetary requests, provides a significant amount of funding and guarantees repayment of debt issued by the various organizations.

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

Blended component units reported within the Primary Government:

Enterprise Funds:

- Solid Waste Landfill
- Salisbury - Ocean City: Wicomico Regional Airport
- Wicomico Nursing Home
- Drill Academy (fund closed as of 06/30/06)
- Wicomico County Urban Services Commission
- Convention & Visitors Bureau
- Civic Center

Discretely presented component units:

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

Copies of the financial statements for each discretely presented component unit can be obtained from the County administrative offices in Salisbury, Maryland.

Related Organizations

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Government-Wide Financial Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions, business-type activities and component units. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

Basic Financial Statements—Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

The following fund types are used by the County.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the County.

- a. General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Grants Fund is a special revenue fund that receives monies from state and federal agencies to administer various programs, involving safety, health and welfare, and culture and recreation, within the County.
- c. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by business-type/enterprise funds.
- d. Roads Fund is a special revenue fund that receives funding from the State Department of Transportation to be expended for the repair and improvement of County roads.

The County's nonmajor governmental funds include Recreation, Tax Ditches, Narcotics Task Force and Agricultural Tax.

2. Enterprise Funds:

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

- a. Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, federal, and county regulations and to provide for recycling.
- b. Airport Fund is used to account for the activities at the Salisbury-Ocean City-Wicomico Regional Airport.
- c. Nursing Home Fund is used to account for the activities at the Wicomico Nursing Home.
- d. Convention & Visitors Bureau Fund is used to account for activities related to the enhancement of the economic impact of tourism on the County.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

2. Enterprise Funds (Continued)

- e. Civic Center Fund is used to account for activities related to the Wicomico Youth and Civic Center.

The County's nonmajor enterprise funds include Drill Academy, Urban Services, Local Matching, Electrical Board and Prophecy Residential. The Drill Academy Fund is shown separately on the fund financial statements at the request of the County Council. The fund has been closed out as of June 30, 2006 since the Drill Academy stopped activity during the previous fiscal year. The Urban Services Commission's charter requires that the Urban Services Fund be reported separately on the fund financial statements.

3. Fiduciary Funds:

The focus of fiduciary fund measurement is to account for resources held for the benefit of parties outside the government. The County uses an agency fund to account for assets held for, and due to, prisoners of the Wicomico County Detention Center. The fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. The County's Pension Trust Fund is used to account for the activity related to the Employees' Retirement Plan of Wicomico County. 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. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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.

The County reports deferred revenue on its statement of net assets and governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

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

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a 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 nonoperating revenues and expenses.

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

Budgets and Budgetary Accounting

Article VII, Section 705 of the County Charter requires each department or agency financed in whole or in part by County funds to prepare and submit an annual budget. Formal budgetary accounting is employed as a management control for the County's General Fund, Roads Special Revenue Fund, Solid Waste Landfill Enterprise Fund, and the Salisbury - Ocean City: Wicomico Regional Airport. The annual budget for the General Fund and the Roads Special Revenue Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Solid Waste Landfill and Airport Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation is not considered. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2006.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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

- (1) On or before March 15, the Director of Finance submits to the Administrative Director 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 Administrative Director submits to the County Council a proposed budget that includes requested expenditures and anticipated revenues for the fiscal year commencing July 1.
- (3) A public hearing is conducted 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 with approval of the County Council.
- (6) All annual appropriations lapse at fiscal year end.

Use of Estimates

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

Cash and Cash Equivalents

The reporting entity is authorized to invest in United States Government bonds or evidence of indebtedness, or in federally insured financial institutions which pledge United States Treasury bills, notes or other allowable federal obligations to secure such deposits. Cash and cash equivalents of the reporting entity consist of cash on hand, cash on deposit with financial institutions in checking and savings and deposits in the MLGIP. Certificates of deposit, if any, with original maturities of three months or less are included as cash equivalents.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity (Continued)

expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Inventories

Inventories are maintained in the County's General Fund's Civic Center and Recreation and Parks operations for concessions and in the Roads Department for materials and supplies. The Board of Education of Wicomico County maintains materials, supplies, and food and related inventories. The Wicomico Nursing Home inventories consist of medical, linen and dietary supplies. All inventories are stated at the lower of cost or market under the first-in, first-out method of inventory valuation.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---|---------------|
| Land improvements | 15 – 20 years |
| Buildings and improvements | 20 – 50 years |
| Runways and ramps | 15 – 25 years |
| Vehicles | 02 – 05 years |
| Infrastructure | 15 – 35 years |
| Machinery, office furniture and equipment | 03 – 10 years |

Long-Term Obligations

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Taxes and County Services

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

Revenues

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

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2006 are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred revenue in the fund statements. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. The tax is levied on the full real property assessable basis; however, effective for the year ending June 30, 2002 and subsequent, the taxpayers passed a revenue cap on the growth of real property tax revenues. Therefore, the Council cannot increase real property tax revenue over the previous year's revenue, excluding new construction, more than the lesser of 2% or the CPI-U.

On July 1, 2001, the County began billing and collecting property taxes for the City of Salisbury, MD. As of June 30, 2006, both local property taxes receivable and due to other governments included \$28,658 due on behalf of and to the City of Salisbury.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Flows

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

Expenditures

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

Encumbrances

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

Reserved and Designated Fund Balances

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

CASH, CASH EQUIVALENTS AND INVESTMENTS

Wicomico County

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

At June 30, 2006, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government and for its blended component units was \$81,797,606 and the bank balance was \$85,030,533. All deposits are carried at cost plus accrued interest. Of the bank balance \$77,416,337 was deposited in the MLGIP. Deposits in the MLGIP comply with Article 95 of the Annotated Code of Maryland and are rated "AAAm" by Standard and Poors.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Wicomico County (Continued)

The remaining deposits of \$7,614,196 were secured as follows:

| | |
|--|---------------------|
| FDIC coverage | \$ 856,580 |
| Secured with collateral in County's name | <u>6,757,616</u> |
| | <u>\$ 7,614,196</u> |

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2006 the County's bank balances of \$856,580 was not exposed to custodial credit risk as \$100,000 of interest bearing accounts and \$100,000 of non-interest bearing accounts are insured by FDIC at each bank. Various insurers insure \$10,400,000 by issuing deposit surety bonds.

Credit Risk

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

Concentration of Credit Risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 95% of total cash.

Interest Rate Risk

The County's primary concern related to cash and investments is security and liquidity and therefore has no long-term investments and 95% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2006, the actual yield of the MLGIP was 4.19%.

Board of Education of Wicomico County

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

The Board investment policy for its non-persion 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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

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

| 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 market value of principal and accrued interest. The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be fully collateralized. The Board's policy requires collateral to be held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral is as specified under Section 6-202 of the same document.

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

At June 30, 2006, the Board's non-pension funds were invested as follows:

| | CARRYING VALUE | BANK BALANCE |
|---------------------------|-------------------|-----------------|
| Cash and cash equivalents | \$ 2,667,852 | \$ 4,248,773 |

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

| | |
|--|--------------|
| Insured | \$ 100,000 |
| Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name | 4,148,773 |
| | \$ 4,248,773 |

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created by Article 95 Section 22G of the Annotated Code of Maryland. This pool functions as a money market fund for local governments. The MLGIP is rated "AAAm" by Standard & Poor's (its highest rating). It is under the administrative control of the State Treasury and is managed by Baltimore based

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

Mercantile-Safe Deposit and Trust Company. A MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the fund and to provide suggestions to enhance the pool.

The Wicomico County Free Library, Inc.

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

Cash that is not fully insured by the FDIC is collateralized with a surety bond program approved by Maryland's General Assembly. The Library's financial institution uses the Excel Capital for its surety bond collateral program. Under this program, a surety bond has been issued providing continual maximum coverage of \$500,000, in case of default or failure of the Library's financial institution.

RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also deferred revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year deferred revenue for delinquent property taxes receivable reported in the general fund was \$616,643. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due from Other Governmental Agencies.

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

| | Governmental | | | | |
|--------------------------------------|---------------------|---------------------|-------------------|-------------------|----------------------|
| | General Fund | Grants Fund | Roads | Other | Total |
| Receivables | | | | | |
| Taxes receivable | \$ 2,431,599 | \$ - | \$ - | \$ - | \$ 2,431,599 |
| Notes receivable | - | - | - | 553,755 | 553,755 |
| Due from other governments | 7,493,494 | 1,723,826 | - | 93,771 | 9,311,091 |
| Other receivables | 480,549 | 69,376 | 809,369 | 947 | 1,360,241 |
| Gross receivable | 10,405,642 | 1,793,202 | 809,369 | 648,473 | 13,656,686 |
| Less allowance for uncollectibles | 1,533,046 | - | - | - | 1,533,046 |
| Net total receivables | <u>\$ 8,872,596</u> | <u>\$ 1,793,202</u> | <u>\$ 809,369</u> | <u>\$ 648,473</u> | <u>\$ 12,123,640</u> |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

RECEIVABLES (Continued)

| | Business-Type | | | | Total |
|------------------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | Solid Waste | Airport | Nursing Home | Other | |
| Receivables | | | | | |
| Accounts receivable | \$ 727,555 | \$ 58,143 | \$ 892,850 | \$ 295,371 | \$ 1,973,919 |
| Receivables from other governments | - | 5,161,148 | - | 13,701 | 5,174,849 |
| Other receivables | 5,026 | - | - | 6,517 | 11,543 |
| Gross receivable | <u>732,581</u> | <u>5,219,291</u> | <u>892,850</u> | <u>315,589</u> | <u>7,160,311</u> |
| Less allowance for uncollectibles | 15,836 | - | 100,000 | - | 115,836 |
| Net total receivables | <u>\$ 716,745</u> | <u>\$ 5,219,291</u> | <u>\$ 792,850</u> | <u>\$ 315,589</u> | <u>\$ 7,044,475</u> |

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government:

| | Balance, as Restated June 30, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|---------------------------------------|---------------------|---------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 4,550,486 | \$ - | \$ - | \$ 4,550,486 |
| Construction in progress | 110,704 | 232,794 | (5,905) | 337,593 |
| Total capital assets, not being depreciated | <u>4,661,190</u> | <u>232,794</u> | <u>(5,905)</u> | <u>4,888,079</u> |
| Capital assets being depreciated | | | | |
| Infrastructure | 165,515,278 | 1,007,086 | - | 166,522,364 |
| Land improvements | 119,967 | - | - | 119,967 |
| Buildings and improvements | 35,523,336 | 136,446 | - | 35,659,782 |
| Machinery, office furniture and equipment | 6,786,778 | 533,574 | (449,484) | 6,870,868 |
| Vehicles | 7,508,354 | 917,027 | (319,813) | 8,105,568 |
| Total capital assets being depreciated | <u>215,453,713</u> | <u>2,594,133</u> | <u>(769,297)</u> | <u>217,278,549</u> |
| Total capital assets | <u>\$ 220,114,903</u> | <u>\$ 2,826,927</u> | <u>\$ (775,202)</u> | <u>\$ 222,166,628</u> |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

CAPITAL ASSETS (Continued)

Primary government (continued)

| | Balance, as Restated June 30, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|--|-----------------------|-----------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Accumulated depreciation | | | | |
| Infrastructure | \$ (108,156,024) | \$ (3,295,937) | \$ | \$ (111,451,961) |
| Land improvements | (2,370) | (6,051) | | (8,421) |
| Buildings and improvements | (18,303,812) | (1,020,423) | | (19,324,235) |
| Machinery, office furniture and equipment | (4,316,422) | (528,298) | 442,977 | (4,401,743) |
| Vehicles | (6,486,599) | (519,164) | 304,099 | (6,701,664) |
| Total accumulated depreciation | <u>(137,265,227)</u> | <u>(5,369,873)</u> | <u>747,076</u> | <u>(141,888,024)</u> |
| Governmental activities capital assets, net | <u>\$ 82,849,676</u> | <u>\$ (2,542,946)</u> | <u>\$ (28,126)</u> | <u>\$ 80,278,604</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,654,735 | \$ - | \$ - | \$ 2,654,735 |
| Construction in progress | 570,551 | 273,036 | (21,256) | 822,331 |
| Total capital assets not being depreciated | <u>3,225,286</u> | <u>273,036</u> | <u>(21,256)</u> | <u>3,477,066</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 2,999,706 | 1,353,885 | (6,795) | 4,346,796 |
| Land disposal sites – liner costs | 10,754,357 | - | (940) | 10,753,417 |
| Runways and ramps | 18,089,745 | 7,796,923 | - | 25,886,668 |
| Buildings and improvements | 28,580,679 | 256,409 | (1,878,070) | 26,959,018 |
| Machinery, office furniture and equipment | 7,189,386 | 1,949,293 | (1,233,171) | 7,905,508 |
| Vehicles | 1,394,592 | 185,044 | - | 1,579,636 |
| Total capital assets being depreciated | <u>69,008,465</u> | <u>11,541,554</u> | <u>(3,118,976)</u> | <u>77,431,043</u> |
| Total capital assets | <u>\$ 72,233,751</u> | <u>\$ 11,814,590</u> | <u>\$ (3,140,232)</u> | <u>\$ 80,908,109</u> |
| Accumulated depreciation | | | | |
| Land improvements | \$ (1,674,775) | \$ (83,090) | \$ 458 | \$ (1,757,407) |
| Land disposal sites – liner costs | (6,651,584) | (377,280) | - | (7,028,864) |
| Runways and ramps | (10,404,296) | (984,427) | - | (11,388,723) |
| Buildings and improvements | (14,250,266) | (571,186) | 86,555 | (14,734,897) |
| Machinery, office furniture and equipment | (4,548,845) | (926,491) | 1,085,051 | (4,390,285) |
| Vehicles | (766,197) | (257,026) | - | (1,023,223) |
| Total accumulated depreciation | <u>\$ (38,295,963)</u> | <u>\$ (3,199,500)</u> | <u>\$ 1,172,064</u> | <u>\$ (40,323,399)</u> |
| Business-type activities capital assets, net | <u>\$ 33,937,788</u> | <u>\$ 8,615,090</u> | <u>\$ (1,968,168)</u> | <u>\$ 40,584,710</u> |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

| | |
|--|---------------------|
| General Government | \$ 277,832 |
| Public Safety | 1,115,917 |
| Public Works | 3,604,370 |
| Health & Welfare | 30,252 |
| Culture & Recreation | 338,916 |
| Education | <u>2,586</u> |
| Total depreciation exp – governmental activities | <u>\$ 5,369,873</u> |

BUSINESS-TYPE ACTIVITIES:

| | |
|---|---------------------|
| Solid Waste | \$ 930,786 |
| Solid Waste – land disposal sites | 377,280 |
| Airport | 1,367,022 |
| Nursing Home | 153,469 |
| Urban Services | 42,408 |
| Convention & Visitors Bureau | 15,100 |
| Civic Center | <u>313,435</u> |
| Total depreciation expense – business-type activities | <u>\$ 3,199,500</u> |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

CAPITAL ASSETS (Continued)

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

| | Balance June 30, 2005 | Additions | Deletions | Balance June 30, 2006 |
|--|--------------------------|----------------------|------------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 380,062 | \$ 20,000 | \$ - | \$ 400,062 |
| Construction in progress | 11,928,698 | 11,380,945 | (17,642,387) | 5,667,256 |
| Total capital assets not being depreciated | <u>12,308,760</u> | <u>11,400,945</u> | <u>(17,642,387)</u> | <u>6,067,318</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 138,241,422 | 17,810,223 | (1,235,397) | 154,816,248 |
| Machinery, office furniture and equipment | 15,935,533 | 2,438,621 | (3,044,621) | 15,329,533 |
| Vehicles | 910,188 | 300,299 | (108,055) | 1,102,432 |
| Total capital assets being depreciated | <u>155,087,143</u> | <u>20,549,143</u> | <u>(4,388,073)</u> | <u>171,248,213</u> |
| Total capital assets | <u>\$ 167,395,903</u> | <u>\$ 31,950,088</u> | <u>\$ (22,030,460)</u> | <u>\$ 177,315,531</u> |
| Accumulated depreciation | | | | |
| Buildings and improvements | \$ (39,681,286) | (3,336,494) | 724,838 | (42,292,942) |
| Machinery, office furniture and equipment | (11,216,550) | (1,428,590) | 3,043,871 | (9,601,269) |
| Vehicles | (649,509) | (97,096) | 108,055 | (638,550) |
| Total accumulated depreciation | <u>(51,547,345)</u> | <u>(4,862,180)</u> | <u>3,876,764</u> | <u>(52,532,761)</u> |
| Governmental activities capital assets, net | <u>\$ 115,848,558</u> | <u>\$ 27,087,908</u> | <u>\$ (18,153,696)</u> | <u>\$ 124,782,770</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets being depreciated | | | | |
| Machinery, equipment and vehicles | \$ 1,720,925 | \$ 112,169 | \$ (25,598) | \$ 1,807,496 |
| Accumulated depreciation | <u>(1,494,186)</u> | <u>(40,452)</u> | <u>25,598</u> | <u>(1,509,040)</u> |
| Business-type activities capital assets, net | <u>\$ 226,739</u> | <u>\$ 71,717</u> | <u>\$ -</u> | <u>\$ 298,456</u> |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

CAPITAL ASSETS (Continued)

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

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

GOVERNMENTAL ACTIVITIES

| | |
|----------------------|---------------------|
| Administration | \$ 279,565 |
| Instruction services | 4,425,969 |
| Operation of plant | 156,646 |
| Depreciation – total | <u>\$ 4,862,180</u> |

BUSINESS-TYPE ACTIVITIES:

| | |
|---------------|------------------|
| Food services | <u>\$ 40,452</u> |
|---------------|------------------|

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

| | <u>Balance June 30, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2006</u> |
|--|----------------------------------|------------------|------------------|----------------------------------|
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 80,820 | - | - | \$ 80,820 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 2,305,189 | 104,045 | - | 2,409,234 |
| Machinery, office furniture and equipment | 1,246,358 | 27,639 | (34,696) | 1,239,301 |
| Vehicles – bookmobile | 109,472 | - | - | 109,472 |
| Library collections | 1,774,193 | 249,773 | (243,940) | 1,780,026 |
| Total capital assets being depreciated | <u>5,435,212</u> | <u>381,457</u> | <u>(278,636)</u> | <u>5,538,033</u> |
| Total capital assets | \$ 5,516,032 | 381,457 | (278,636) | \$ 5,618,853 |
| Accumulated depreciation | <u>(3,402,604)</u> | <u>(387,875)</u> | <u>278,636</u> | <u>(3,511,843)</u> |
| Governmental activities capital assets, net | <u>\$ 2,113,428</u> | <u>(6,418)</u> | <u>-</u> | <u>\$ 2,107,010</u> |

Depreciation expense of \$387,875 was charged to Library services.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

INTERFUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

Outstanding balances between funds are reported as “due to/from other funds” and are the result of the County’s central cash management and disbursement system. Other activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are also referred to in the fund statements as “due to/from other funds”.

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|--------------------|-------------------|---------------------|
| Primary Government | | |
| General | Grants | \$ 1,089,227 |
| | Capital Projects | 154 |
| | Recreation | 25,781 |
| | Tax Ditches | 36,225 |
| | Solid Waste | 471,798 |
| | Airport | 1,596,029 |
| | Urban Services | 137,692 |
| | Civic Center | 197,984 |
| | Prophecy Residual | 1,036 |
| Solid Waste | Roads | 250,000 |
| Recreation | Civic Center | 10,000 |
| Local Matching | Recreation | 6,643 |
| | | <u>\$ 3,822,569</u> |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

INTERFUND TRANSACTIONS

A summary of interfund transfers follows:

| Fund | Operating Transfers In | Operating Transfers Out |
|--|---------------------------|----------------------------|
| General Fund: | | |
| Capital Projects | \$ | \$ 335,000 |
| Grants | | 2,000 |
| Board of Education – Capital Projects | | 650,000 |
| Roads | | 683,000 |
| Recreation | 171,485 | |
| Airport | 47,580 | |
| Drill Academy | | 861,736 |
| Civic Center | | 483,940 |
| Grants | | |
| Recreation | 26,842 | |
| Convention & Visitors Bureau | | 519 |
| General Fund | 2,000 | |
| Civic Center | 1,000 | |
| Capital Projects | | |
| General Fund | 985,000 | |
| Civic Center | | 450,532 |
| Roads | | |
| General Fund | 683,000 | |
| Recreation | | |
| General Fund | | 171,485 |
| Grants | | 26,842 |
| Convention & Visitors Bureau | | 10,300 |
| Civic Center | 24,384 | 30,929 |
| Airport | | |
| General Fund | | 47,580 |
| Drill Academy | | |
| General Fund | 861,736 | |
| Convention & Visitors Bureau | | |
| Grants | 519 | |
| Recreation | 10,300 | |
| Civic Center | 19,334 | |
| Civic Center | | |
| General Fund | 483,940 | |
| Grants | | 1,000 |
| Capital Projects | 450,532 | |
| Recreation | 30,929 | 24,384 |
| Tourism | | 19,334 |
| | <u>\$ 3,798,581</u> | <u>\$ 3,798,581</u> |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

INTERFUND TRANSACTIONS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The County issued debt in the form of general obligation bonds, revenue bonds of the Wicomico County Urban Service Commission, and State loans under the Maryland Industrial and Commercial Redevelopment Fund (MICRF), and the Maryland Supplemental Public Schools Construction and Capital Improvement Loan programs. General obligation bonds have been issued for both general government and enterprise activities. These bonds are reported in the enterprise funds if they are expected to be paid from enterprise fund revenues. The original amount of general obligation bonds issued in prior years was \$100,183,896. During the year, general obligation bonds totaling \$8,525,000 were issued for new projects.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15 – 20 year serial bonds with different amounts of principal maturing each year.

The County's debt is limited to 3.2% of total assessed value of real property plus 8% of total assessed value of personal property located within the County. The debt margin permitted at June 30, 2006 amounted to \$107,122,199 after considering various debt obligations of \$76,162,460 as listed in the following schedule.

As shown on the combined statement of net assets, total debt of the primary government including all blended component units is \$79,580,425. However, based on information from the County, and as reported in the audited financial statements of the Wicomico Nursing Home, there is no recourse to the County on the mortgage payable of that facility. Therefore, the amount of that indebtedness, or \$1,542,967, is removed from total primary government debt below and is also excluded from the County's limitation on bonded debt.

The bonded indebtedness of the Wicomico County Urban Services Commission is to be paid first from the various charges which the Commission is authorized to levy but for which indebtedness the full faith and credit of the County is unconditionally pledged. Commission debt outstanding at any one time may not exceed 4% of the County's total assessable base of real property plus 4% of the total assessable base of personal property.

By its character, debt of the Wicomico County Urban Services Commission, although supported by the full faith and credit of the County, is excluded from the County's 3.2% and 8% limitations on bonded debt as described above.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2006:

| | Interest Rate | Beginning Balance, as Restated | Additions | Reductions | Ending Balance | Current Portion |
|---|------------------|--------------------------------------|--------------|----------------|-------------------|--------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | |
| Bonds payable | | | | | | |
| General obligation bonds | 2.0-5.9% | \$ 71,770,424 | \$ 8,525,000 | \$ (6,813,362) | \$ 73,482,062 | \$ 6,719,006 |
| Other loans payable | | | | | | |
| Maryland Water | | | | | | |
| Quality loans | 4.89% | 249,536 | - | (30,746) | 218,790 | 32,251 |
| State loans | 5.5% | 253,627 | - | (21,659) | 231,968 | 22,875 |
| Other loans | 4.9-6.1% | 23,252 | - | (2,865) | 20,387 | 3,005 |
| Other loans payable | | 526,415 | - | (55,270) | 471,145 | 58,131 |
| Total bonds and loans payable | | 72,296,839 | 8,525,000 | (6,868,632) | 73,953,207 | 6,777,137 |
| Capital lease obligations | * | 273,322 | - | (136,807) | 136,515 | 136,515 |
| Governmental activity long-term liabilities | | 72,570,161 | 8,525,000 | (7,005,439) | 74,089,722 | 6,913,652 |
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | | | |
| Bonds payable | | | | | | |
| General obligation bonds | 3.5-5.9% | 2,098,786 | - | (172,827) | 1,925,959 | 182,224 |
| Revenue bonds | 6.0-7.0% * | 95,000 | - | (40,000) | 55,000 | 30,000 |
| | | 2,193,786 | - | (212,827) | 1,980,959 | 212,224 |
| Other loans payable | | | | | | |
| Maryland Water | | | | | | |
| Quality loans | 3.5-4.9% | 457,851 | - | (174,557) | 283,294 | 175,427 |
| Mortgage payable | 4.36% | 1,659,443 | - | (116,476) | 1,542,967 | 116,476 |
| | | 2,117,294 | - | (291,033) | 1,826,261 | 291,903 |
| Total bonds and loans payable | | 4,311,080 | - | (503,860) | 3,807,220 | 504,127 |
| Capital lease obligations | * | 202,803 | 1,891,122 | (410,442) | 1,683,483 | 487,410 |
| Business-type activity long-term liabilities | | 4,513,883 | 1,891,122 | (914,302) | 5,490,703 | 991,537 |
| Less: Nursing Home | | (1,659,443) | - | 116,476 | (1,542,967) | (116,476) |
| Business-type activity long-term liabilities, primary government | | 2,854,440 | 1,891,122 | (797,826) | 3,947,736 | 875,061 |
| Total debt, primary government | | 75,424,601 | 10,416,122 | (7,803,265) | 78,037,458 | 7,788,713 |
| * Debt not subject to limitation | | (571,125) | (1,891,122) | 587,249 | (1,874,998) | (653,925) |
| Debt subject to limitation | | \$ 74,853,476 | \$ 8,525,000 | \$ (7,216,016) | \$ 76,162,460 | \$ 7,134,788 |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Summary of remaining debt service requirements for the years ended June 30 are as follows:

| Year | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|----------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 6,777,137 | \$ 3,077,784 | \$ 421,696 | \$ 92,801 |
| 2008 | 6,315,356 | 2,810,593 | 201,480 | 79,080 |
| 2009 | 6,473,899 | 2,548,654 | 227,132 | 71,665 |
| 2010 | 6,646,529 | 2,278,224 | 203,080 | 62,281 |
| 2011-2015 | 29,350,438 | 7,146,562 | 962,012 | 186,536 |
| 2016-2019 | 13,992,296 | 2,078,283 | 196,407 | 37,320 |
| 2020-2022 | 4,397,552 | 279,325 | 52,446 | 3,787 |
| | <u>\$ 73,953,207</u> | <u>\$ 20,219,425</u> | <u>\$ 2,264,253</u> | <u>\$ 533,470</u> |

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

Future minimum lease payments under capital leases are as follows:

| Year ending June 30 | Primary Government | |
|---|------------------------------|--|
| | General Long-Term Debt | Solid Waste Landfill Enterprise Fund |
| 2007 | \$ 142,044 | \$ 548,470 |
| 2008 | - | 493,223 |
| 2009 | - | 425,939 |
| 2010 | - | 375,053 |
| 2011 | - | 75,813 |
| | <u>142,044</u> | <u>1,918,498</u> |
| Amounts representing interest | <u>(5,529)</u> | <u>(235,015)</u> |
| Present value of future minimum lease payments | <u>\$ 136,515</u> | <u>\$ 1,683,483</u> |

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Capital leases | <u>\$ 840,433</u> | <u>\$ 1,582,270</u> | <u>\$ (866,369)</u> | <u>\$ 1,556,334</u> | <u>\$ 721,414</u> |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The Board's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 5% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2004, the Board's share of the consortium's settlement was a surplus of \$1,505,404, which was recognized as an other financing source during the year ended June 30, 2005.

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

Future minimum lease payments under capital leases are as follows:

| Year ending June 30 | Board of Education |
|---|-----------------------|
| 2007 | \$ 771,557 |
| 2008 | 514,389 |
| 2009 | 371,182 |
| | 1,657,128 |
| Amounts representing interest | (100,801) |
| Present value of future minimum lease payments | \$ 1,556,327 |

OTHER LIABILITY

In December, 2001 the Wicomico County Urban Services Commission and Wicomico County entered into an agreement with the City of Fruitland for the purpose of providing water and/or sewer services to areas designated as the service area for the City of Fruitland in the "Wicomico County Comprehensive Water and Sewer Plan". Under this agreement, the City of Fruitland agrees to construct and maintain all lines and charge 150% of their current City rate for services, with 2% of the gross revenue being remitted to the Commission by the City. As of June 30, 2006 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 was \$179,836.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 25 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 days. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are accounted for.

Changes in accrued compensated absences for the year ended June 30, 2006 are as follows:

| | <u>June 30, 2005</u> | <u>Increase</u> | <u>June 30, 2006</u> |
|------------------------------------|----------------------|-------------------|----------------------|
| Primary government: | | | |
| Governmental activities | \$ 2,367,157 | \$ 107,034 | \$ 2,474,191 |
| Business-type activities | 189,133 | 113,936 | 303,069 |
| Total Primary government | <u>\$ 2,556,290</u> | <u>\$ 220,970</u> | <u>\$ 2,777,260</u> |
| | | | |
| | <u>June 30, 2005</u> | <u>Increase</u> | <u>June 30, 2006</u> |
| Component units: | | | |
| Board of Education of Wicomico Co. | 1,516,780 | 344,479 | 1,861,259 |
| Wicomico County Free Library | 116,301 | 21,531 | 137,832 |
| Total Component Units | <u>\$ 1,633,081</u> | <u>\$ 366,010</u> | <u>\$ 1,999,091</u> |

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised the County that there is no rebate liability due that must be paid to the federal government. Such rebate liability is subject to change, however, pursuant to computations undertaken up to and including the payment due dates.

PENSION AND RETIREMENT PLANS

Retirement Plan for the Employees of Wicomico County, Maryland

Plan Description

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

The Board of Education of Wicomico County, certain other employees participating in the Maryland State Employees Retirement System, and substantially all full-time County employees who are meeting the eligibility requirements, are eligible for participation in the County's pension system.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

Plan Description (Continued)

Normal retirement is the earlier of a participant's 25th anniversary or, the later of (1) a participant's 55th birthday and (2) 5 years of service. Early retirement and disability benefits are provided. Normal form of pension is a modified cash refund annuity. Fees paid by the plan for administration expense for the year ended June 30, 2005 were \$100,863.

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2005.

| | |
|-------------------------------|-----|
| Active eligible | 510 |
| Terminated with vested rights | 20 |
| Retired | 84 |
| | 614 |

The Plan does not issue separate financial statements.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County Commissioners. Employees who are at least 21 years of age, have not attained the age of 65, and have successfully completed their initial probationary period are required to participate in the County Plan as a condition of their employment and to make contributions amounting to 5.625% of earnings. A participant is 100% vested after five years of service. The County is required to contribute an actuarially determined amount; for the year ended June 30, 2006 that amount was \$2,027,717.

Annual Pension Cost and Net Pension Obligation

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

| | |
|--|--------------|
| Annual required contribution | \$ 2,027,717 |
| Interest on net pension obligation | 194,117 |
| Adjustment to annual required contribution | (104,006) |
| Annual pension cost | 2,117,828 |
| Contributions made | 3,848,869 |
| Decrease in net pension obligation | (1,731,041) |
| Net pension obligation beginning of year | 2,426,461 |
| Net pension obligation end of year | \$ 695,420 |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age normal (fresh start as of July 1, 1995). The actuarial assumptions include an 8% investment rate of return, 1% administrative expense and projected salary increase and rate of inflation of 5.5%.

The actuarial value of assets was determined using asset information as of June 30, 2005 provided by the plan sponsors and designees at market value. The changes in fiduciary net assets are for the year ended June 30, 2005 and on the cash basis.

The assumptions do not include post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period used at June 30, 2005 was thirty years.

Three-Year Trend Information

| Fiscal Year Ending | Annual Pension Cost | Percentage of Annual Pension Cost Contributed | Net Pension Obligation |
|--------------------------|---------------------------|--|------------------------------|
| June 30, 2004 | \$ 2,318,726 | 81.9% | \$ 2,764,790 |
| June 30, 2005 | 2,481,829 | 113.6% | 2,426,461 |
| June 30, 2006 | 2,117,828 | 181.7% | 695,420 |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

When the County implemented its present pension program, a certain number of its employees who were covered by the Employees Retirement and Pension System, a plan administered by the State of Maryland, elected to remain in the State plan. The County's contribution to the State plan consists of two elements: a current contribution equal to 9.6% of the employee's earnings (subject to certain limitations with respect to overtime) and a contribution to cover the unfunded accrued liability for the plan. In fiscal year 2006, the County's total contribution amounted to \$29,611 which includes a portion sufficient to amortize the unfunded accrued liability by the year 2020.

The Employees Retirement System of the State of Maryland was established on October 1, 1941 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to State employees and the employees of participating municipal corporations. In addition, on January 1, 1980, the Employees Pension System of the State of Maryland was established. Employees hired on or after January 1, 1980 become members of the Employees Pension System. Existing members of the Employees Retirement System, unless exempted by law, have the option of remaining in the Employees Retirement System or transferring to the Employees Pension System.

The significant plan benefits and policies of the Maryland State Employees Retirement System parallel that of the Maryland State Teachers Retirement System, are disclosed below.

Pension Plans for the Board of Education of Wicomico County

Substantially all of the Board's employees are covered by one of three pension plans - the Teachers Retirement System, the Teachers Pension System or the Retirement Plan for Employees of the Board of Education of Wicomico County.

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

Teachers and related occupations are covered by the Teachers Retirement System or the Teachers Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. Except for restricted programs as described below, the State pays virtually all the employer's annual contribution. Total contributions paid by the State to the Plan for the year ended June 30, 2006 were \$6,782,478. For teachers and other employees whose retirement expense is reimbursed from Federal Restricted Grants, the Board remits monthly payments to the State which represent the amount of retirement expense charged to these restricted programs. The Board has no contingent liability for funding deficits in the system should such occur.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

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

| <u>Year Ended June 30</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|-----------------------------------|--------------------------------|-----------------------------------|
| 2004 | \$ 498,066 | 100% |
| 2005 | \$ 539,196 | 100% |
| 2006 | \$ 508,066 | 100% |

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

Significant Plan Benefits and Policies

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

Teachers Retirement System

A. Retirement Benefits

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

B. Vested Allowance

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

C. Employee and Employer Contributions

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

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

Teachers Pension Systems

A. Retirement Benefits

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of creditable service. On retirement from service, a member shall receive an annual service retirement allowance. The annual retirement allowance is equal to .8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of creditable service. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service.

B. Vested Allowance

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

C. Employee and Employer Contributions

Members of the Teachers Pension Systems are required to contribute to the systems 2% of their regular salaries and wages up to the social security wage base. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2006 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

| | |
|---------------------------------|---------------|
| Total payroll | \$ 91,354,467 |
| Payroll covered under the plans | \$ 85,057,411 |

Additional information and ten-year historical trend information can be obtained from the separately issued State Retirement and Pension system of Maryland Annual Financial Report.

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

General Plan Policies

Other employees not covered by the Teachers Retirement System or the Teachers Pension System of Maryland are covered by the Retirement Plan for Employees at the Board of Education of Wicomico County, a defined benefit plan. Effective January 1, 1994, this plan was merged with the Wicomico County plan to become the retirement plan for employees of Wicomico County and the Board of Education of Wicomico County. Plan provisions remained relatively unchanged.

Significant Plan Benefits and Policies

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

- A) Eligibility - Employees who have not attained age 65 are eligible if they are at least 18 years of age with three months of continuous service, and they have agreed in writing to make contributions.
- B) Employee Contributions - Each year an employee is required to contribute 2% of earnings up to \$4,800, plus 4% of earnings in excess of \$4,800. Interest is credited at 5% per year.
- C) Retirement:
 - a. Normal retirement is available for employees who are age 65 and over and have obtained 5 years of service.
 - b. Early retirement is available for employees with five years or more experience and who are age 55 or older and are within 10 years of normal retirement date.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

Significant Plan Benefits and Policies

D) Benefit at Retirement:

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

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

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2005 and payroll covered under the Plan is as follows:

| | |
|---------------------------------|---------------|
| Total payroll | \$ 91,354,467 |
| Payroll covered under the plans | \$ 7,388,757 |

| <u>Year Ended June 30,</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|--------------------------------|---|-----------------------------------|
| 1996 | \$ 175,022 | 100% |
| 1997 | \$ 169,100 | 100% |
| 1998 | \$ 157,937 | 100% |
| 1999 | \$ 101,350 | 100% |
| 2000 | \$ 142,195 | 100% |
| 2001 | \$ 242,949 | 100% |
| 2002 | \$ 254,142 | 100% |
| 2003 | \$ 418,903 | 89% |
| 2004 | \$ 479,018 | 80% |
| 2005 | \$ 460,582 | 92% |
| 2006 | \$ 481,038 | 98% |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan (Continued)

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

| | |
|-------------------------------|--------------------------|
| Valuation date | July 1, 2004 |
| Actuarial cost method | Frozen Initial Entry Age |
| Amortization method | Level Percent |
| Remaining amortization period | 30 Years |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return | 7.75% |
| Projected salary increases | 4.5% |

Annual Pension Cost and Net Pension Obligation

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

| | |
|---|-----------------|
| Annual required contribution | \$ 423,203 |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | <u>57,835</u> |
| Annual pension cost | 481,038 |
| Contributions made | <u>471,615</u> |
| Increase in net pension obligation | <u>\$ 9,423</u> |
| Net pension obligation at beginning of year | <u>\$ -</u> |
| Net pension obligation at end of year | <u>\$ -</u> |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a percentage of covered payroll |
|--------------------------------|-------------------------------------|---|------------------------------------|--------------------------|------------------------|---|
| 7/1/1996 | 8,228,185 | 8,090,918 | (137,267) | 102% | 3,639,454 | (3.77%) |
| 7/1/1997 | 8,854,185 | 8,597,270 | (256,915) | 103% | 3,944,900 | (6.51%) |
| 7/1/1998 | 9,544,099 | 8,519,778 | (1,024,321) | 112% | 4,225,210 | (24.24%) |
| 7/1/1999 | 9,832,269 | 9,042,973 | (789,296) | 109% | 4,725,072 | (16.70%) |
| 7/1/2000 | 9,801,306 | 9,610,680 | (190,626) | 102% | 4,831,638 | (3.95%) |
| 7/1/2001 | 10,513,887 | 10,125,989 | (387,898) | 104% | 5,418,831 | (7.16%) |
| 7/1/2002 | 9,889,757 | 10,932,388 | 1,042,631 | 90% | 5,677,963 | 18.36% |
| 7/1/2003 | 10,066,394 | 11,637,837 | 1,571,443 | 86% | 5,951,447 | 26.40% |
| 7/1/2004 | 11,230,846 | 12,556,267 | 1,325,421 | 89% | 6,353,085 | 20.86% |
| 7/1/2005 | 12,113,245 | 13,883,815 | 1,770,570 | 87% | 6,708,737 | 26.40% |

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

401(a) Matching Plan

Effective July 1, 2001, the Board implemented a self-directed defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participants' contributions to the 403(b) plan. Eligible employees must be 18 years of age.

The vesting schedule is as follows:

| <u>Years of Service</u> | <u>Vesting Percentage</u> |
|-----------------------------|-------------------------------|
| 1-4 | 0% |
| 5 | 100% |

During the year ended June 30, 2006, there were 1,049 eligible participants for whom the Board contributed a total of \$255,977.

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

General Plan Policies

All full-time personnel employed in a Library position participate in the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland which are cost-sharing multiple employer public retirement funds. The State funds substantially all the employer's annual contributions. The Library has no contingent liability for funding deficits in the system should they occur.

Certain on-behalf payments are made by the State of Maryland that represent contributions to a pension plan for which the employer government is not legally responsible. The total of these on-behalf payments, which are recorded by the Library as revenues and expenditures, was \$87,184 and \$90,217 for the years ended June 30, 2006 and 2005, respectively.

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

The Teachers' Retirement System of the State of Maryland was established on July 27, 1927 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. Teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Existing members of the Teachers' Retirement System have the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

PENSION AND RETIREMENT PLANS (Continued)

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

General Plan Policies (Continued)

The Employees' Retirement System of the State of Maryland was established on October 1, 1941 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to State employees and the employees of participating municipal corporations. In addition, on January 1, 1980, the Employees' Pension System of the State of Maryland was established. Employees hired on or after January 1, 1980 become members of the Employees' Pension System. Existing members of the Employees' Retirement System, unless exempted by law, have the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Employees' and Teachers' Retirement Systems

The following is a general description of the significant plan benefits available to the members of the Employees' and Teachers' Retirement System.

A. Retirement Benefits

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/45th of a member's average final compensation (i.e., average of the member's three highest years of creditable service.) multiplied by the number of years of accumulated credible service, up to 25 years. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

B. Vested Allowance

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

C. Employee and Employer Contributions

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PENSION AND RETIREMENT PLANS (Continued)

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

Employees and Teachers' Pension Systems

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

A. Retirement Benefits

A member may retire with full benefits after completing 30 years of creditable service regardless of age, or at age 62 or older with specified years of creditable service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation (i.e., average annual earnable compensation during any three consecutive years that provide the highest average earnable compensation) and years of creditable service with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of creditable service.

B. Vested Allowance

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

C. Employee and Employer Contributions

Members of the Employees' and Teachers' Pension Systems are required to contribute to the Systems 2% of their regular salaries and wages which exceed the Social Security wage base. The contributions are deducted from each member's salary and wage payments and are remitted to the Systems on a regular, periodic basis.

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

DEATH BENEFITS

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

POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described above, the County provides post-retirement health care benefits as approved by the County Council to all retirees (and their dependents) who are eligible to retire under the County Pension System. The post-retirement health care benefit is also offered to certain County employees who retire under the State Retirement System, are at the age to receive Social Security benefits and have at least ten years service with the County (public safety employees are eligible at age 60 with nine years service). The employee may retire and retain their health insurance coverage while paying the same percentage of contract cost as while employed which as of June 30, 2006 was 15% of employee cost and 25% of dependent coverage.

For the year ended June 30, 2006 there were 114 participants receiving post-retirement health care benefits at a cost to the County of \$560,406.

For the year ended June 30, 2006, the Board of Education of Wicomico County funded 55% of the health care insurance for retirees who had accumulated at least 15 years of service with the Board prior to their retirement. Approximately 600 retirees, who have worked for at least five years are eligible to participate in the post-retirement benefit program. For the year ended June 30, 2006, the Board incurred an expense for post-retirement health care benefits of \$1,473,548.

LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The \$5,190,016 reported as landfill closure and post closure care cost liability at

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

LANDFILL CLOSURE AND POSTCLOSURE CARE COST (Continued)

June 30, 2006, represents the cumulative amount reported to date based upon attaining 53% of the estimated capacity of open cells #1 and cell #2 and 75% of the estimated capacity of open cells #3 and #4 at the landfill and monitoring all cells, including closed cells, for thirty years. The County will recognize the remaining estimated cost of closure and post closure care estimated to be \$1,465,378 as the remaining capacity is filled. The estimated remaining life is 32 years. These amounts are based on estimated cost to perform all closure and post closure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Though there are currently no legal restrictions on available funds, the County has approximately \$9,400,000 of currently available unrestricted net assets which may be used for landfill closure and post closure costs.

The County is currently in the pre-bid stage for the construction of new cells #5 and #6 at the landfill.

RESERVED AND DESIGNATED FUND EQUITY

Reservations of fund equity show amounts that are not available for current appropriations or are legally restricted for specific uses. Within unreserved fund equity, designations are used to show the amounts which are intended to be used for specific purposes but are not legally restricted. The purpose for each reservation or designation of fund equity as indicated by the account title on the face of the governmental funds balance sheet is as follows:

| | |
|---|---------------------|
| Capital projects | \$ 158,157 |
| Self - insurance | 784,720 |
| Reserve for contingencies and emergencies | 5,340,629 |
| Death benefits | 383,600 |
| GIS mapping project | 75,100 |
| Arbitrage | 101,649 |
| Chamber improvements | 1,377 |
| Wicomico River Dredging | 97,624 |
| Rate stabilization | 1,186,774 |
| Health department | 43,942 |
| Offset for 2005 income tax windfall | 180,565 |
| Working capital, Detention Center vending | 1,000 |
| | <hr/> |
| | <u>\$ 8,355,137</u> |

COMMITMENTS AND CONTINGENCIES

Wicomico County, Maryland

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico County, Maryland (Continued)

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

The Wicomico County Urban Services Commission continues to abide by an expired contract with the City of Salisbury to purchase water and sewer supplied to a district. The Wicomico County Urban Services Commission is required to charge this district 150% of the City's standard rate and remit 80% of the billings to the City. Total collections and payments for the year ended June 30, 2006 were \$354,782. The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections and payments for the districts for 2006 were \$44,147.

In February 2002, the Wicomico County Urban Services Commission established a lighting district in the Westwood/Westover Hills area. The cost of power is borne by Delmarva Power which then bills the Commission on a monthly basis. The Commission then bills the property owners.

Wicomico Nursing Home

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

Correspondence has been received from DHHS stating that the Wicomico Nursing Home has a deficit for uncompensated services. The amount of the cumulative deficit, as determined by the DHHS and adjusted for the CPI through June 30, 2006, is approximately \$447,593. In the opinion of management, the Wicomico Nursing Home is financially unable to fulfill its uncompensated services obligation through the provision of the Hill-Burton services.

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

Based on the historical record of the Facility's inability to fulfill the uncompensated services obligation and considering the expiration date, no accrual has been made on these financial statements to reflect this contingent liability.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

COMMITMENTS AND CONTINGENCIES (Continued)

The Board of Education of Wicomico County

The Board has signed contracts for the construction contract for Prince Street Elementary in the amount of \$3,004,188. At June 30, 2006, \$1,194,967 had been expended on construction fees. Management expects the total project to cost \$20,975,000 (breakdown: construction - \$ 14,520,000, site development - \$850,000, contingency - \$900,000, other - \$4,705,000).

The Board has signed contracts for the renovation of Westside Primary in the amount of \$1,327,331. At June 30, 2006, \$895,414 had been expended on construction fees.

The Board has signed contracts for the replacement of the Mardela Waste Water Treatment Plant in the amount of \$510,168. At June 30, 2006, \$414,694 had been expended on construction fees.

The Wicomico County Free Library, Inc.

The Library receives a substantial amount of its support from the state government. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities.

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

RISK MANAGEMENT

Wicomico County, Maryland

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

The Board of Education of Wicomico County

The Board of Education of Wicomico County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In July 1995, the Board of Education of Wicomico County joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the Fund), a public entity risk pool currently providing workers' compensation coverage for participating boards of education in the State of Maryland. The Board of Education of Wicomico County pays an annual premium to the Fund calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in its casualty and/or property

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

RISK MANAGEMENT (Continued)

The Board of Education of Wicomico County (Continued)

funds, this deficit may be made up from additional assessments of boards participating in the deficit fund. The Board of Education of Wicomico County continues to carry commercial insurance for other risks of loss, including general liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

The Wicomico County Free Library, Inc.

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

As of June 30 of each year, expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Library anticipates no additional liabilities for potential claims against the Library as of June 30, 2006. Therefore the Statement of Net Assets contains no provision for, and it also does not present, estimated claims.

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

The Wicomico County Urban Services Commission

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters. Wicomico County, Maryland carries commercial insurance for these and other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and equipment deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues to be received in connection with the financing and from any other monies made available to the user for such purposes. Upon repayment of the bonds, ownership of the acquired facilities and equipment transfers to the private - sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2005 has been restated for the governmental funds as follows:

| | General Fund | Grants Fund | Capital Projects | Roads | Other Governmental Funds | Total Governmental Funds |
|---|---------------|-------------|------------------|--------------|--------------------------|--------------------------|
| Fund equity as previously reported | \$ 26,595,431 | \$ 993,707 | \$ 17,355,262 | \$ 3,982,559 | \$ 1,234,995 | \$ 50,161,954 |
| Adjustment for MUNIS difference resulting from prior period | 118,520 | - | - | - | (34,045) | 84,475 |
| Reclassification of Narcotics Task Force to a separate Special Revenue Fund | - | (294,493) | - | - | 294,493 | - |
| Transfer to Tourism Fund | - | (25,037) | - | - | (10,110) | (35,147) |
| Reclassification of Civic Center to an enterprise fund | (277,199) | - | - | - | - | (277,199) |
| Reclassification of Drill Academy from an enterprise fund | - | - | 29,994 | - | - | 29,994 |
| Reclassification of health department reserve | (29,058) | - | - | - | - | (29,058) |
| Over accrual of Liquor Board receivable | (471,444) | - | - | - | - | (471,444) |
| Over accrual of other receivables | - | (16,500) | - | - | - | (16,500) |
| Reversal of expense that was recorded in improper period | 66,448 | - | - | - | - | 66,448 |
| Other adjustments | (1,863) | (1,081) | - | - | 151 | (2,793) |
| Fund equity at June 30, 2005 as restated | \$ 26,000,835 | \$ 656,596 | \$ 17,385,256 | \$ 3,982,559 | \$ 1,485,484 | \$ 49,510,730 |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2005 has been restated for the enterprise funds as follows:

| | Waste | Airport | Nursing Home | Drill Academy | Convention & Visitors Bureau | Youth & Civic Center | Urban Services & Other Funds | Total Enterprise Funds |
|--|---------------|---------------|--------------|---------------|------------------------------|----------------------|------------------------------|------------------------|
| Fund equity at June 30, 2005 as previously reported | \$ 11,224,596 | \$ 17,044,899 | \$ 2,269,248 | \$ 733,967 | \$ 573,880 | \$ - | \$ 1,680,381 | \$ 33,526,971 |
| Reclassification of Youth & Civic Center to an Enterprise fund | | | | | | | | |
| Beginning fund balance | - | - | - | - | - | 277,199 | - | 277,199 |
| Record beginning short-term accrued compensated absences | - | - | - | - | - | (18,890) | - | (18,890) |
| Record beginning net fixed assets | - | - | - | - | - | 6,605,114 | - | 6,605,114 |
| Record accrued compensated absences | - | - | - | - | - | (60,912) | - | (60,912) |
| Record beginning debt | - | - | - | - | - | (440,000) | - | (440,000) |
| Transfer of Drill Academy | | | | | | | | |
| Other current assets - capital projects | - | - | - | (29,994) | - | - | - | (29,994) |
| Net fixed assets | - | - | - | (1,885,444) | - | - | - | (1,885,444) |
| Other current liabilities - general fund | - | - | - | 2,767 | - | - | - | 2,767 |
| Debt & other liabilities | - | - | - | 316,968 | - | - | - | 316,968 |
| Transfer from grants and recreation funds | - | - | - | - | 35,147 | - | - | 35,147 |
| Other adjustments | - | - | - | - | - | 100 | - | 100 |
| Fund equity at June 30, 2005 as restated | \$ 11,224,596 | \$ 17,044,899 | \$ 2,269,248 | \$ (861,736) | \$ 609,027 | \$ 6,362,611 | \$ 1,680,381 | \$ 38,329,026 |

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net assets at June 30, 2005 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Net assets at June 30, 2005 as previously reported | \$ 59,165,463 | \$ 33,526,971 |
| Net changes to governmental funds (on previous page) | (651,224) | |
| Additional capitalization of fixcd assets | 491,250 | |
| Reclassification of Civic Center to an Enterprise Fund | (6,104,202) | 6,362,511 |
| Reclassification of Drill Academy back to the general fund | 1,568,477 | (1,595,703) |
| Transfer from grants and recreation funds | | 35,147 |
| Other adjustments | - | 100 |
| Fund equity at June 30, 2005 as restated | \$ 54,469,764 | \$ 38,329,026 |

REQUIRED SUPPLEMENTARY
INFORMATION

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

| | <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 | \$ 52,006,072 | \$ 52,006,072 | \$ 54,254,071 | \$ 2,247,999 |
| Income taxes | 35,299,903 | 35,299,903 | 43,808,353 | 8,508,450 |
| Other taxes | 5,191,554 | 5,191,554 | 7,659,631 | 2,468,077 |
| Licenses and permits | 1,014,000 | 1,014,000 | 1,321,312 | 307,312 |
| Intergovernmental | 2,988,823 | 2,988,823 | 2,499,813 | (489,010) |
| Charges for services | 5,634,619 | 5,634,619 | 5,956,435 | 321,816 |
| Court fines and forfeitures | 110,000 | 110,000 | 157,138 | 47,138 |
| Miscellaneous | 18,700 | 18,700 | 453,081 | 434,381 |
| Investment earnings | 550,000 | 550,000 | 2,355,160 | 1,805,160 |
| Total revenues | <u>102,813,671</u> | <u>102,813,671</u> | <u>118,464,994</u> | <u>15,651,323</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Legislative and executive | <u>536,187</u> | <u>542,875</u> | <u>453,465</u> | <u>89,410</u> |
| Judicial | | | | |
| Circuit Court | 961,084 | 1,038,117 | 965,245 | 72,872 |
| Orphans' Court | 23,266 | 23,266 | 22,566 | 700 |
| State's Attorney | 1,267,927 | 1,285,336 | 1,282,744 | 2,592 |
| Total Judicial | <u>2,252,277</u> | <u>2,346,719</u> | <u>2,270,555</u> | <u>76,164</u> |
| Elections | <u>455,294</u> | <u>456,380</u> | <u>436,389</u> | <u>19,991</u> |
| Management information systems | <u>506,864</u> | <u>520,623</u> | <u>437,691</u> | <u>82,932</u> |
| Financial administration | | | | |
| Finance | 919,472 | 922,272 | 894,447 | 27,825 |
| Public Accountant | 62,550 | 76,420 | 76,420 | - |
| Purchasing | 100,849 | 100,849 | 96,377 | 4,472 |
| Total financial administration | <u>1,082,871</u> | <u>1,099,541</u> | <u>1,067,244</u> | <u>32,297</u> |
| Human resources | <u>354,014</u> | <u>365,664</u> | <u>336,309</u> | <u>29,355</u> |
| Legal | <u>211,000</u> | <u>222,356</u> | <u>221,160</u> | <u>1,196</u> |

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---------------------------------|-------------------------|-------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| EXPENDITURES (Continued) | | | | |
| General government (continued) | | | | |
| Community promotion | | | | |
| Tourism and convention | 25,395 | 30,495 | 23,147 | 7,348 |
| Other | 218,024 | 218,024 | 218,024 | - |
| Total community promotion | <u>243,419</u> | <u>248,519</u> | <u>241,171</u> | <u>7,348</u> |
| Planning and zoning | <u>896,982</u> | <u>1,006,771</u> | <u>842,390</u> | <u>164,381</u> |
| Tri county council | <u>248,000</u> | <u>253,000</u> | <u>230,000</u> | <u>23,000</u> |
| General services | <u>724,969</u> | <u>880,740</u> | <u>826,780</u> | <u>53,960</u> |
| Total general government | <u>7,511,877</u> | <u>7,943,188</u> | <u>7,363,154</u> | <u>580,034</u> |
| Public safety | | | | |
| Sheriff's Department | 5,709,469 | 5,793,868 | 5,669,119 | 124,749 |
| School Crossing Guards | 60,000 | 60,000 | 54,438 | 5,562 |
| Fire Department | 4,695,973 | 4,759,526 | 4,567,848 | 191,678 |
| Liquor License Board | 155,355 | 165,870 | 163,952 | 1,918 |
| Protection of animals | 216,799 | 216,799 | 216,799 | - |
| Total public safety | <u>10,837,596</u> | <u>10,996,063</u> | <u>10,672,156</u> | <u>323,907</u> |
| Detention Center | <u>10,377,583</u> | <u>10,405,658</u> | <u>10,250,423</u> | <u>155,235</u> |
| Public works | | | | |
| Supervision | 557,614 | 567,677 | 547,203 | 20,474 |
| Weed control | 3,500 | 3,500 | 2,317 | 1,183 |
| Sanitation, water and sewer | 179,836 | 179,836 | 179,836 | - |
| Total public works | <u>740,950</u> | <u>751,013</u> | <u>729,356</u> | <u>21,657</u> |

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|------------------------------------|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u> |
| EXPENDITURES (Continued) | | | | |
| Health | | | | |
| Public Health | 2,380,893 | 2,380,537 | 2,295,112 | 85,425 |
| Mosquito control | 105,000 | 105,356 | 96,034 | 9,322 |
| Gypsy Moth control | 3,000 | 3,000 | 2,322 | 678 |
| Total health | <u>2,488,893</u> | <u>2,488,893</u> | <u>2,393,468</u> | <u>95,425</u> |
| Social services | <u>92,863</u> | <u>117,863</u> | <u>117,863</u> | <u>-</u> |
| Education | | | | |
| Board of Education | 46,925,458 | 46,925,458 | 46,925,458 | - |
| Wicomico County Free Library | 1,306,400 | 1,325,400 | 1,325,400 | - |
| School Building Comm | 1,000 | 1,289 | 1,289 | - |
| Community College - grant | 2,956,838 | 2,956,838 | 2,956,838 | - |
| Extension Service | 93,048 | 93,089 | 93,089 | - |
| Total education | <u>51,282,744</u> | <u>51,302,074</u> | <u>51,302,074</u> | <u>-</u> |
| Recreation and culture | | | | |
| Department of Recreation and Parks | <u>1,624,170</u> | <u>1,648,720</u> | <u>1,575,153</u> | <u>73,567</u> |
| Miscellaneous | | | | |
| Social security | 1,416,646 | 1,416,646 | 1,367,451 | 49,195 |
| Funded retirement plan | 2,955,631 | 3,415,191 | 3,417,279 | (2,088) |
| Provision for compensated absences | - | 22,386 | 22,386 | - |
| Hospitalization | 2,774,206 | 3,395,345 | 3,396,205 | (860) |
| Disability | 68,590 | 68,590 | 50,108 | 18,482 |
| Unemployment compensation | 62,000 | 39,614 | 24,334 | 15,280 |
| Death benefit sinking | 80,000 | 80,000 | 55,114 | 24,886 |
| Blood bank | 1,150 | 1,150 | 799 | 351 |
| Workers' compensation | 613,561 | 143,922 | 143,987 | (65) |
| Liability insurance | 850,000 | 520,272 | 456,892 | 63,380 |
| Total miscellaneous | <u>8,821,784</u> | <u>9,103,116</u> | <u>8,934,555</u> | <u>168,561</u> |

**WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u> |
| EXPENDITURES (Continued) | | | | |
| Debt Service | | | | |
| Principal | 7,125,377 | 7,125,377 | 6,665,965 | 459,412 |
| Interest | 3,296,557 | 3,296,557 | 3,071,765 | 224,792 |
| Arbitrage | - | 30,000 | 30,000 | - |
| Agent fees | 40,000 | 40,000 | 8,386 | 31,614 |
| | <u>10,461,934</u> | <u>10,491,934</u> | <u>9,776,116</u> | <u>715,818</u> |
| Total debt service | | | | |
| | <u>104,240,394</u> | <u>105,248,522</u> | <u>103,114,318</u> | <u>2,134,204</u> |
| Total expenditures | | | | |
| Excess of revenues over expenditures | <u>(1,426,723)</u> | <u>(2,434,851)</u> | <u>15,350,676</u> | <u>17,785,527</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other source | 11,400 | 11,400 | 96,926 | 85,526 |
| Transfers in | 171,485 | 171,485 | 219,065 | 47,580 |
| Transfers out | (463,818) | (2,941,940) | (3,015,676) | (73,736) |
| Appropriations of fund equity | 5,529,877 | 6,399,007 | - | (6,399,007) |
| Other uses | (3,822,221) | (1,205,101) | - | 1,205,101 |
| Total other financing uses | <u>1,426,723</u> | <u>2,434,851</u> | <u>(2,699,685)</u> | <u>(5,134,536)</u> |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>12,650,991</u> | <u>12,650,991</u> |

WICOMICO COUNTY, MARYLAND
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
JUNE 30, 2005

| <u>Date of Actuarial Report</u> | <u>Net Assets Available for Benefits</u> | <u>Pension Benefit Obligation</u> | <u>Unfunded Pension Benefit Obligation</u> | <u>Net Assets Expressed as Percentage AAL</u> | <u>Annual Covered Payroll</u> | <u>Unfunded Pension Benefit Obligation as a percentage of covered Payroll</u> |
|---------------------------------|--|-----------------------------------|--|---|-------------------------------|---|
| 7/1/1995 | \$ 5,105,675 | \$ 5,927,547 | \$ 821,872 | 86.13% | \$ 4,701,095 | 17.48% |
| 7/1/1996 | 5,753,119 | 7,754,617 | 2,001,498 | 74.19% | 4,767,724 | 41.98% |
| 7/1/1997 | 6,680,501 | 8,675,866 | 1,995,365 | 77.00% | 6,351,914 | 31.41% |
| 7/1/1998 | 7,421,560 | 13,133,300 | 5,711,740 | 56.51% | 7,751,167 | 73.69% |
| 7/1/1999 | 8,459,699 | 14,129,784 | 5,670,085 | 59.87% | 9,725,665 | 58.30% |
| 7/1/2000 | 8,863,400 | 15,654,123 | 6,790,723 | 56.62% | 9,582,409 | 70.87% |
| 7/1/2001 | 10,877,778 | 17,633,377 | 6,755,599 | 61.69% | 12,301,827 | 54.92% |
| 7/1/2002 | 11,413,790 | 20,085,761 | 8,671,971 | 56.83% | 13,695,865 | 63.32% |
| 7/1/2003 | 13,161,165 | 22,103,272 | 8,942,107 | 59.54% | 15,822,985 | 56.51% |
| 7/1/2004 | 16,427,909 | 24,322,330 | 7,894,421 | 67.54% | 17,541,485 | 49.89% |
| 7/1/2005 | 19,845,654 | 30,600,222 | 10,754,568 | 64.88% | 17,194,336 | 62.55% |

SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|--------------------|--|
| Real and personal property taxes | | | |
| Real property | \$ 44,439,824 | \$ 45,165,584 | \$ 725,760 |
| Railroads and public utilities | 3,060,496 | 3,315,843 | 255,347 |
| Ordinary business corporations | 8,199,961 | 8,313,614 | 113,653 |
| | <u>55,700,281</u> | <u>56,795,041</u> | <u>1,094,760</u> |
| Interest on delinquent taxes | 125,000 | 406,795 | 281,795 |
| | <u>55,825,281</u> | <u>57,201,836</u> | <u>1,376,555</u> |
| Manufacturing exemptions | (2,700,000) | (1,892,842) | 807,158 |
| Amount due subdivision (financial tax) | (21,209) | (21,209) | - |
| Net additions and abatements | (310,000) | (246,872) | 63,128 |
| Tax credits | (128,000) | (376,589) | (248,589) |
| Deferred and uncollected taxes | (325,000) | (65,252) | 259,748 |
| Discounts allowed | (335,000) | (345,001) | (10,001) |
| Total real and personal property taxes | <u>52,006,072</u> | <u>54,254,071</u> | <u>2,247,999</u> |
| Income taxes | <u>35,299,903</u> | <u>43,808,353</u> | <u>8,508,450</u> |
| Other taxes | | | |
| Hotel and motel room tax | - | 21,363 | 21,363 |
| Admission and amusement | 225,000 | 128,336 | (96,664) |
| Recordation tax | 4,200,000 | 6,588,592 | 2,388,592 |
| 911 telephone surcharge tax | 506,554 | 633,729 | 127,175 |
| Trailer park | 260,000 | 287,611 | 27,611 |
| Total other taxes | <u>5,191,554</u> | <u>7,659,631</u> | <u>2,468,077</u> |
| Total taxes | <u>92,497,529</u> | <u>105,722,055</u> | <u>13,224,526</u> |
| Licenses and permits | | | |
| Alcoholic beverages | 161,000 | 212,163 | 51,163 |
| Amusement | 5,000 | 9,074 | 4,074 |
| Traders | 62,500 | 72,750 | 10,250 |
| Animal | - | 200 | 200 |
| Building, equipment and electrical | 235,000 | 353,869 | 118,869 |
| Marriage | 21,000 | 24,240 | 3,240 |
| Cable TV franchise | 525,000 | 644,679 | 119,679 |
| Other | 4,500 | 4,337 | (163) |
| Total licenses and permits | <u>1,014,000</u> | <u>1,321,312</u> | <u>307,312</u> |

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-----------|--|
| Intergovernmental | | | |
| General government - states' attorney office | - | 82,613 | 82,613 |
| General government - circuit courts | 145,986 | 68,327 | (77,659) |
| Public safety - police | 680,253 | 519,024 | (161,229) |
| Public safety - emergency management | 385,052 | 15,898 | (369,154) |
| Public safety - detention center | - | 2,317 | 2,317 |
| Parks, recreation and culture - Waterway Improvement | 20,600 | 16,940 | (3,660) |
| Conservation of natural resources - Chesapeake Bay Critical Areas | - | 12,793 | 12,793 |
| Environmental planning | 109,399 | 74,595 | (34,804) |
| Liquor board | 321,602 | 321,550 | (52) |
| Disparity grant | 1,325,931 | 1,325,931 | - |
| Payments in lieu of taxes | - | 59,825 | 59,825 |
| Total intergovernmental | 2,988,823 | 2,499,813 | (489,010) |
| Service charges and fees | | | |
| Zoning and subdivision fees | 140,000 | 372,507 | 232,507 |
| General service charges | - | 45 | 45 |
| Room tax - administrative fee | 9,000 | 13,002 | 4,002 |
| Urban Services - administrative fee | 54,000 | 54,000 | - |
| Bay Restoration -administrative fee | - | 19,152 | 19,152 |
| HAZMAT - administrative fee | 90,326 | 53,708 | (36,618) |
| City of Salisbury - share of building expenses | 63,142 | 110,778 | 47,636 |
| City of Salisbury - shared Planning & Zoning expenses | 150,000 | 150,000 | - |
| City of Salisbury - share of MIS | 43,000 | 64,442 | 21,442 |
| City of Salisbury - share of Human Resources | 100,000 | 75,763 | (24,237) |
| State's attorney | 165,000 | 62,650 | (102,350) |
| Sheriff's fees | 403,358 | 473,077 | 69,719 |
| Sheriff's services - Board of Education | 85,592 | 98,092 | 12,500 |
| Fire safety fees | 181,000 | 288,024 | 107,024 |
| Reimbursement - Solid Waste | 28,268 | 28,268 | - |
| Detention Center - local charges | 822,085 | 420,130 | (401,955) |
| Detention Center - reimbursement for inmates | 3,178,692 | 3,556,078 | 377,386 |
| Health - mosquito control fees | 75,000 | 71,124 | (3,876) |
| Recreation program fees | 46,156 | 33,010 | (13,146) |
| Miscellaneous fees, rentals and sales | - | 12,585 | 12,585 |
| Total service charges and fees | 5,634,619 | 5,956,435 | 321,816 |

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------|------------------------------|------------------------------|---|
| Court fines and forfeitures | <u>110,000</u> | <u>157,138</u> | <u>47,138</u> |
| Miscellaneous | <u>18,700</u> | <u>453,081</u> | <u>434,381</u> |
| Interest | <u>550,000</u> | <u>2,355,160</u> | <u>1,805,160</u> |
| Total revenues | <u><u>\$ 102,813,671</u></u> | <u><u>\$ 118,464,994</u></u> | <u><u>\$ 15,651,323</u></u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|-------------------|------------------|--|
| General government | | | |
| Legislative and executive | | | |
| Salaries - County Council | \$ 115,000 | \$ 114,696 | \$ 304 |
| Council travel | 11,500 | 11,170 | 330 |
| Salaries - general | 323,918 | 278,654 | 45,264 |
| Advertising | 18,000 | 12,439 | 5,561 |
| Travel | 3,000 | 829 | 2,171 |
| Operating expenditures | 66,337 | 35,677 | 30,660 |
| Capital outlay | 5,120 | - | 5,120 |
| Total legislative and executive | <u>542,875</u> | <u>453,465</u> | <u>89,410</u> |
| Judicial | | | |
| Circuit Court | | | |
| Salaries - general | 353,258 | 353,258 | - |
| Salaries - court stenographer | 157,150 | 157,150 | - |
| Salaries - board members | 131,292 | 118,189 | 13,103 |
| Grand jury and jurors | 139,100 | 139,100 | - |
| Operating expenditures | 95,712 | 88,054 | 7,658 |
| Stenographer expenditures | 15,731 | 15,731 | - |
| Capital outlay | 145,874 | 93,763 | 52,111 |
| Total Circuit Court | <u>1,038,117</u> | <u>965,245</u> | <u>72,872</u> |
| Orphans' Court | | | |
| Salaries - general | 9,600 | 9,501 | 99 |
| Retirement | 1,536 | 1,536 | - |
| Operating expenditures | 12,130 | 11,529 | 601 |
| Total Orphans' Court | <u>23,266</u> | <u>22,566</u> | <u>700</u> |
| State's Attorney | | | |
| Salaries - general | 1,105,716 | 1,105,716 | - |
| Salaries - attorneys | 101,102 | 101,102 | - |
| Operating expenditures | 77,124 | 74,532 | 2,592 |
| Capital outlay | 1,394 | 1,394 | - |
| Total State's Attorney | <u>1,285,336</u> | <u>1,282,744</u> | <u>2,592</u> |
| Total judicial | <u>2,346,719</u> | <u>2,270,555</u> | <u>76,164</u> |
| Elections | | | |
| Salaries - general | 217,064 | 207,430 | 9,634 |
| Retirement | 12,500 | 11,733 | 767 |
| Health insurance | 24,500 | 20,943 | 3,557 |
| Operating expenditures | 142,966 | 137,904 | 5,062 |
| Capital outlay | 59,350 | 58,379 | 971 |
| Total elections | <u>456,380</u> | <u>436,389</u> | <u>19,991</u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|------------------|--|
| General government (Continued) | | | |
| Management information systems | | | |
| Salaries - general | 244,314 | 242,001 | 2,313 |
| Operating expenditures | 148,019 | 118,105 | 29,914 |
| Capital outlay | 128,290 | 77,585 | 50,705 |
| Total management information systems | <u>520,623</u> | <u>437,691</u> | <u>82,932</u> |
| Financial administration | | | |
| Finance | | | |
| Salaries - general | 644,869 | 638,744 | 6,125 |
| Operating expenditures | 237,001 | 215,952 | 21,049 |
| Capital outlay | 40,402 | 39,751 | 651 |
| Total finance | <u>922,272</u> | <u>894,447</u> | <u>27,825</u> |
| Public Accountant | | | |
| Auditors' services | 53,800 | 53,800 | - |
| Special services | 22,620 | 22,620 | - |
| Total public accountant | <u>76,420</u> | <u>76,420</u> | <u>-</u> |
| Purchasing | | | |
| Salaries - general | 91,933 | 91,933 | - |
| Operating expenditures | 8,916 | 4,444 | 4,472 |
| Total purchasing | <u>100,849</u> | <u>96,377</u> | <u>4,472</u> |
| Total financial administration | <u>1,099,541</u> | <u>1,067,244</u> | <u>32,297</u> |
| Human resources | | | |
| Salaries - general | 239,990 | 223,558 | 16,432 |
| Operating expenditures | 107,732 | 100,142 | 7,590 |
| Capital outlay | 17,942 | 12,609 | 5,333 |
| Total human resources | <u>365,664</u> | <u>336,309</u> | <u>29,355</u> |
| Legal | | | |
| Salary - Attorney to the County Council | 5,019 | 5,019 | - |
| Operating expenditures | 217,337 | 216,141 | 1,196 |
| Total legal | <u>222,356</u> | <u>221,160</u> | <u>1,196</u> |
| Community promotion | | | |
| Tourism and convention | | | |
| Dues and subscriptions | 16,500 | 15,937 | 563 |
| Operating expenditures | 13,995 | 7,210 | 6,785 |
| Total community promotion - tourism | <u>30,495</u> | <u>23,147</u> | <u>7,348</u> |
| Other | | | |
| Economic Development | 128,586 | 128,586 | - |
| Community Access Channel | 89,438 | 89,438 | - |
| Total community promotion -other | <u>218,024</u> | <u>218,024</u> | <u>-</u> |
| Total community promotion | <u>248,519</u> | <u>241,171</u> | <u>7,348</u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|-------------------|------------------|--|
| General government (Continued) | | | |
| Planning and zoning | | | |
| Salaries | 690,976 | 639,625 | 51,351 |
| Operating expenditures | 309,795 | 199,187 | 110,608 |
| Capital outlay | 6,000 | 3,578 | 2,422 |
| Total planning and zoning | <u>1,006,771</u> | <u>842,390</u> | <u>164,381</u> |
| Tri County Council | | | |
| Operating expenditures | 230,000 | 207,000 | 23,000 |
| Capital outlay | 23,000 | 23,000 | - |
| Total Tri County Council | <u>253,000</u> | <u>230,000</u> | <u>23,000</u> |
| General services | | | |
| Salaries | 257,429 | 257,429 | - |
| Operating expenditures | 623,311 | 569,351 | 53,960 |
| Total general services | <u>880,740</u> | <u>826,780</u> | <u>53,960</u> |
| Total general government | <u>7,943,188</u> | <u>7,363,154</u> | <u>580,034</u> |
| Public safety | | | |
| Sheriff's Department | | | |
| Salary - Sheriff | 80,519 | 80,519 | - |
| Salaries - general | 4,841,615 | 4,817,444 | 24,171 |
| Operating expenditures | 648,519 | 547,941 | 100,578 |
| Capital outlay | 223,215 | 223,215 | - |
| Total Sheriff's Department | <u>5,793,868</u> | <u>5,669,119</u> | <u>124,749</u> |
| School Crossing Guards | | | |
| Salaries - general | 60,000 | 54,438 | 5,562 |
| Fire Department | | | |
| City of Salisbury contributions | | | |
| Ambulance | 472,000 | 472,000 | - |
| Fire Department | 89,000 | 89,000 | - |
| Emergency services | | | |
| Salaries - general | 865,353 | 824,384 | 40,969 |
| Operating expenditures | 541,836 | 458,814 | 83,022 |
| Capital outlay | 106,155 | 60,938 | 45,217 |
| Volunteer Ambulance | 1,180,000 | 1,180,000 | - |
| Volunteer Ambulance - insurance | 50,000 | 31,914 | 18,086 |
| Volunteer Fire Companies | | | |
| Workers' compensation insurance | 137,182 | 137,182 | - |
| LOSAP committee | 60,000 | 58,200 | 1,800 |
| Grants | 1,022,000 | 1,022,000 | - |
| Sinking fund | 224,000 | 224,000 | - |
| Hepatitis vaccine | 2,000 | 1,990 | 10 |
| Respiratory protection | 10,000 | 7,426 | 2,574 |
| Total Fire Department | <u>4,759,526</u> | <u>4,567,848</u> | <u>191,678</u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|-------------------|-------------------|--|
| Public safety (continued) | | | |
| Liquor License Board | | | |
| Salaries - general | 97,496 | 96,112 | 1,384 |
| Salaries - board members | 13,000 | 12,872 | 128 |
| Salaries - attorneys | 6,030 | 6,030 | - |
| Operating expenditures | 47,815 | 47,410 | 405 |
| Capital outlay | 1,529 | 1,528 | 1 |
| Total Liquor License Board | <u>165,870</u> | <u>163,952</u> | <u>1,918</u> |
| Protection of animals | | | |
| Contractual services - Humane Society | <u>216,799</u> | <u>216,799</u> | <u>-</u> |
| Total public safety | <u>10,996,063</u> | <u>10,672,156</u> | <u>323,907</u> |
| | | | |
| Detention Center | | | |
| Salaries - general | 6,295,940 | 6,295,940 | - |
| Contract services | 166,315 | 92,768 | 73,547 |
| Hospitals, doctors and drugs | 994,613 | 994,613 | - |
| Contracted food services | 673,356 | 661,826 | 11,530 |
| Operating expenditures | 1,168,527 | 1,121,734 | 46,793 |
| Medical contractual | 1,002,100 | 1,002,100 | - |
| Pre-trial/home | 1,000 | 635 | 365 |
| Capital outlay | <u>103,807</u> | <u>80,807</u> | <u>23,000</u> |
| Total detention center | <u>10,405,658</u> | <u>10,250,423</u> | <u>155,235</u> |
| | | | |
| Public works | | | |
| Supervision | | | |
| Salaries - general | 521,661 | 521,661 | - |
| Operating expenditures | 31,486 | 25,542 | 5,944 |
| Capital outlay | 14,530 | - | 14,530 |
| Total supervision | <u>567,677</u> | <u>547,203</u> | <u>20,474</u> |
| Weed control | | | |
| Salaries - general | <u>3,500</u> | <u>2,317</u> | <u>1,183</u> |
| Sanitation, water and sewer | | | |
| Fruitland water and sewer | <u>179,836</u> | <u>179,836</u> | <u>-</u> |
| Total public works | <u>751,013</u> | <u>729,356</u> | <u>21,657</u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|--|
| Health | | | |
| Public Health | | | |
| Salaries - general | 151,396 | 113,903 | 37,493 |
| Operating expenditures | 2,138,576 | 2,090,645 | 47,931 |
| Non-matching | 90,565 | 90,564 | 1 |
| Total public health | <u>2,380,537</u> | <u>2,295,112</u> | <u>85,425</u> |
| Mosquito control | | | |
| Salaries - general | 22,365 | 22,043 | 322 |
| Operating expenditures | 67,263 | 58,263 | 9,000 |
| Capital outlay | 15,728 | 15,728 | - |
| Total mosquito control | <u>105,356</u> | <u>96,034</u> | <u>9,322</u> |
| Gypsy Moth control | | | |
| Operating expenditures | <u>3,000</u> | <u>2,322</u> | <u>678</u> |
| Total health | <u>2,488,893</u> | <u>2,393,468</u> | <u>95,425</u> |
| Social services | | | |
| Local Management Matching Funds | 25,000 | 25,000 | - |
| Teen Adult Center - grant | 61,363 | 61,363 | - |
| Maintenance of Aged in Community - grant | 19,000 | 19,000 | - |
| Life Crisis Center - grant | <u>12,500</u> | <u>12,500</u> | <u>-</u> |
| Total social services | <u>117,863</u> | <u>117,863</u> | <u>-</u> |
| Education | | | |
| Board of Education | 46,925,458 | 46,925,458 | - |
| Wicomico County Free Library | 1,325,400 | 1,325,400 | - |
| School Building Comm | 1,289 | 1,289 | - |
| Community College - grant | 2,956,838 | 2,956,838 | - |
| Extension Service | | | |
| Operating expenditures | <u>93,089</u> | <u>93,089</u> | <u>-</u> |
| Total education | <u>51,302,074</u> | <u>51,302,074</u> | <u>-</u> |
| Recreation and culture | | | |
| Department of Recreation and Parks | | | |
| Salaries - general | 1,169,848 | 1,159,114 | 10,734 |
| Operating expenditures | 445,072 | 390,046 | 55,026 |
| Capital outlay | 33,800 | 25,993 | 7,807 |
| Total Department of Recreation and Parks | <u>1,648,720</u> | <u>1,575,153</u> | <u>73,567</u> |
| Total recreation and culture | <u>1,648,720</u> | <u>1,575,153</u> | <u>73,567</u> |

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006
(Continued)

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|-----------------------|-----------------------|--|
| Miscellaneous | | | |
| Social security | 1,416,646 | 1,367,451 | 49,195 |
| Funded retirement plan | 3,415,191 | 3,417,279 | (2,088) |
| Provision for compensated absences | 22,386 | 22,386 | - |
| Hospitalization | 3,395,345 | 3,396,205 | (860) |
| Disability | 68,590 | 50,108 | 18,482 |
| Unemployment compensation | 39,614 | 24,334 | 15,280 |
| Death benefit sinking | 80,000 | 55,114 | 24,886 |
| Blood bank | 1,150 | 799 | 351 |
| Workers' compensation | 143,922 | 143,987 | (65) |
| Liability insurance | 520,272 | 456,892 | 63,380 |
| Total miscellaneous | <u>9,103,116</u> | <u>8,934,555</u> | <u>168,561</u> |
| Debt service | | | |
| Principal | 7,125,377 | 6,665,965 | 459,412 |
| Interest | 3,296,557 | 3,071,765 | 224,792 |
| Arbitrage | 30,000 | 30,000 | - |
| Agent Fees | 40,000 | 8,386 | 31,614 |
| Total debt service | <u>10,491,934</u> | <u>9,776,116</u> | <u>715,818</u> |
| Total expenditures | <u>\$ 105,248,522</u> | <u>\$ 103,114,318</u> | <u>\$ 2,134,204</u> |

**WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2006**

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------------|---------------------------|--|
| Notes receivable receipts | \$ 11,400 | \$ 96,926 | \$ 85,526 |
| Operating transfers in | | | |
| Wicomico County Recreation Fund | 171,485 | 171,485 | - |
| Salisbury-Ocean City Wicomico Regional Airport | - | 47,580 | 47,580 |
| Total operating transfers in | <u>171,485</u> | <u>219,065</u> | <u>47,580</u> |
| Operating transfers out | | | |
| Wicomico County Board of Education | (650,000) | (650,000) | - |
| Wicomico County Civic Center | (483,940) | (483,940) | - |
| Wicomico County Drill Academy | (1,125,000) | (861,736) | 263,264 |
| Wicomico County Capital Projects | | (335,000) | (335,000) |
| Wicomico County Roads | (683,000) | (683,000) | - |
| Wicomico County Grants | | (2,000) | (2,000) |
| Total operating transfers out | <u>(2,941,940)</u> | <u>(3,015,676)</u> | <u>(73,736)</u> |
| Appropriations of fund equity | | | |
| Fund balance reappropriated | 5,529,877 | - | (5,529,877) |
| Supplemental fund equity appropriations | 869,130 | - | (869,130) |
| Total appropriations of fund equity | <u>6,399,007</u> | <u>-</u> | <u>(6,399,007)</u> |
| Other uses | | | |
| Contingency | (908,701) | - | 908,701 |
| Appropriated operating reserve | (296,400) | - | 296,400 |
| Total other uses | <u>(1,205,101)</u> | <u>-</u> | <u>1,205,101</u> |
| Total other financing uses | <u>\$ 2,434,851</u> | <u>\$ (2,699,685)</u> | <u>\$ (5,134,536)</u> |

**WICOMICO COUNTY, MARYLAND
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2006**

| | <u>Recreation</u> | <u>Tax Ditches</u> | <u>Narcotics Task Force</u> | <u>Agricultural Tax</u> | <u>Total-Other Governmental Funds</u> |
|--------------------------------------|---------------------|--------------------|-----------------------------|-------------------------|---------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,083,205 | \$ 412,384 | \$ 371,268 | \$ 1,144,469 | \$ 3,011,326 |
| Other receivables | 490 | 457 | - | - | 947 |
| Due from other funds | 10,000 | - | - | - | 10,000 |
| Inventories | 4,115 | - | - | - | 4,115 |
| Total assets | <u>1,097,810</u> | <u>412,841</u> | <u>371,268</u> | <u>1,144,469</u> | <u>3,026,388</u> |
| | | | | | |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 39,935 | 1,409 | 77,211 | 8,360 | 126,915 |
| Due to other funds | 32,424 | 36,225 | - | - | 68,649 |
| Deferred revenue | 250 | 378 | - | 1,136,109 | 1,136,737 |
| Total liabilities | <u>72,609</u> | <u>38,012</u> | <u>77,211</u> | <u>1,144,469</u> | <u>1,332,301</u> |
| | | | | | |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Inventories | 4,115 | - | - | - | 4,115 |
| Encumbrances | 34,058 | - | 128,616 | - | 162,674 |
| Unreserved: | | | | | |
| Designated for: | | | | | |
| Fund purposes | 987,028 | 374,829 | 165,441 | - | 1,527,298 |
| Total fund balances | <u>1,025,201</u> | <u>374,829</u> | <u>294,057</u> | <u>-</u> | <u>1,694,087</u> |
| Total liabilities and fund balances | <u>\$ 1,097,810</u> | <u>\$ 412,841</u> | <u>\$ 371,268</u> | <u>\$ 1,144,469</u> | <u>\$ 3,026,388</u> |

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

| | <u>Recreation</u> | <u>Tax Ditches</u> | <u>Narcotics Task Force</u> | <u>Agricultural Tax</u> | <u>Total-Other Governmental Funds</u> |
|---|---------------------|--------------------|-----------------------------|-------------------------|---------------------------------------|
| REVENUES | | | | | |
| Other taxes | \$ - | \$ 86,050 | \$ - | \$ 318,793 | \$ 404,843 |
| Intergovernmental | 288 | - | - | - | 288 |
| Charges for services | 1,190,328 | - | 65,807 | - | 1,256,135 |
| Miscellaneous | 22,500 | - | 17,012 | - | 39,512 |
| Investment earnings | 24,207 | 18,321 | 7,116 | - | 49,644 |
| Contributions and endowments | 250 | - | - | - | 250 |
| Total revenues | <u>1,237,573</u> | <u>104,371</u> | <u>89,935</u> | <u>318,793</u> | <u>1,750,672</u> |
| EXPENDITURES | | | | | |
| Public safety | - | - | 90,371 | - | 90,371 |
| Public works | - | 138,058 | - | - | 138,058 |
| Recreation and culture | 779,675 | - | - | - | 779,675 |
| Miscellaneous | - | - | - | 281,047 | 281,047 |
| Principal | - | - | - | 26,343 | 26,343 |
| Interest and other charges | - | - | - | 11,403 | 11,403 |
| Total expenditures | <u>779,675</u> | <u>138,058</u> | <u>90,371</u> | <u>318,793</u> | <u>1,326,897</u> |
| Excess (deficiency) of revenues over expenditures | 457,898 | (33,687) | (436) | - | 423,775 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 24,384 | - | - | - | 24,384 |
| Transfers out | (239,556) | - | - | - | (239,556) |
| Total other financing uses | <u>(215,172)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(215,172)</u> |
| SPECIAL ITEM | | | | | |
| Net change in fund balances | 242,726 | (33,687) | (436) | - | 208,603 |
| Fund balances - beginning | 782,475 | 408,516 | 294,493 | - | 1,485,484 |
| Fund balances - ending | <u>\$ 1,025,201</u> | <u>\$ 374,829</u> | <u>\$ 294,057</u> | <u>\$ -</u> | <u>\$ 1,694,087</u> |

**WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE YEARS ENDED JUNE 30, 2006**

| Fiscal Year Ended June 30 | Tax Rate | | Assessable Base ² | Tax Levy ³ | Current Collections | Percent of Levy Collected in Year of Levy |
|---------------------------------|----------|---------|---------------------------------|--------------------------|------------------------|--|
| | County | State | | | | |
| 2006 | \$ 1 | \$ 0.33 | \$ 4,778,166,917 | \$ 54,876,973 | \$ 53,999,576 | 98.40% |
| 2005 | 1 | 0.33 | 4,523,263,296 | 52,171,966 | 51,009,315 | 97.77% |
| 2004 | 1 | 0.33 | 4,233,598,341 | 49,782,534 | 49,266,939 | 98.96% |
| 2003 | 1 | 0.21 | 4,063,608,942 | 48,155,060 | 47,479,231 | 98.60% |
| 2002 | 1 | 0.21 | 3,892,470,823 | 47,339,489 | 46,657,532 | 98.56% |

Notes:

- ¹ For the fiscal year ended June 30, 2006, the tax rate was \$1.025 for real estate taxes and \$2.563 for personal property and corporate taxes. The assessable base of real property was valued at 100%.
- ² Includes six month basis expressed as a full year equivalent.
- ³ Prior years tax levy and collections have not been adjusted for subsequent additions, abatements and refunds.
- ⁴ Collections are net of refunds.

| <u>Delinquent Tax Collections</u> | <u>Total Tax Collections⁴</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> |
|---|--|---|--|---|
| \$ 766,245 | \$ 54,765,821 | 99.80% | \$ 2,350,718 | 4.28% |
| 181,577 | 51,190,892 | 98.12% | 2,490,733 | 4.77% |
| 207,220 | 49,474,159 | 99.38% | 1,598,513 | 3.21% |
| 401,925 | 47,881,156 | 99.32% | 1,546,538 | 3.21% |
| 360,559 | 47,018,091 | 99.07% | 1,913,511 | 4.04% |

WICOMICO COUNTY, MARYLAND

BALANCE SHEET
LOCAL MANAGEMENT BOARD

JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash allocatioon from general fund | \$ 508,317 | \$ 132,648 |
| Grants receivable | <u>293,895</u> | <u>360,705</u> |
| Total assets | <u>\$ 802,212</u> | <u>\$ 493,353</u> |
| LIABILITIES AND FUND BALANCE | | |
| Accounts payable | \$ 433,158 | \$ 407,004 |
| Interfund payable | 18,772 | |
| Deferred revenue | 10,119 | 10,119 |
| Accrued payroll and taxes | 6,331 | 7,956 |
| Accrued compensated absences | <u>10,483</u> | <u>5,339</u> |
| Total liabilities | <u>478,863</u> | <u>430,418</u> |
| Fund balances | | |
| Reserved for encumbrances | 235,570 | |
| Unreserved fund balance | <u>87,779</u> | <u>62,935</u> |
| Total fund balances | <u>323,349</u> | <u>62,935</u> |
| Total liabilities and fund balance | <u>\$ 802,212</u> | <u>\$ 493,353</u> |

WICOMICO COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
LOCAL MANAGEMENT BOARD

YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

| | 2006 | 2005 |
|---|-------------------|---------------------|
| Revenues | | |
| Subcabinet fund | \$ 1,374,824 | \$ 1,392,026 |
| Federal grants | 378,006 | 222,227 |
| Other state grants | 265,013 | 388,473 |
| Total revenues | <u>2,017,843</u> | <u>2,002,726</u> |
| Expenditures | | |
| Subcabinet Fund | | |
| Administrative expenditures | 121,428 | 100,405 |
| Interagency Family Preservation Services | 5,624 | 69,285 |
| Community Service Initiative - In-State | | |
| In-State | 9,300 | 6,814 |
| Local Coordinating Council | 66,781 | 69,830 |
| School Based Health Centers | 98,493 | 99,055 |
| GCAP-Community Incentive Grants | | 36,600 |
| ICAPPP | | 4,971 |
| Home Visiting | 298,089 | 297,588 |
| After School | 94,766 | 90,000 |
| Eastern Shore Transit | 15,299 | |
| Children's Justice Act | | 10,389 |
| Child Advocacy Center | 59,838 | 89,552 |
| Juvenile Alternatives | 90,000 | 39,766 |
| Birth to Four | 60,000 | |
| Early Child Development | | 100,000 |
| Community Care Intensive | 266,210 | 365,544 |
| Other | 9,940 | 4,400 |
| Earned Reinvestment | | 37,396 |
| OTO Community Partnership | | 177,154 |
| Total subcabinet fund | <u>1,195,768</u> | <u>1,598,749</u> |
| Federal grants | 195,795 | 205,877 |
| Other state grant | 377,986 | 400,091 |
| Salaries - general | 11,028 | 18,826 |
| Total expenditures | <u>1,780,577</u> | <u>2,223,543</u> |
| Deficit of revenues over expenditures | <u>237,266</u> | <u>(220,817)</u> |
| Other financing sources | | |
| Interest income | 11,174 | 3,982 |
| Miscellaneous income | 11,974 | |
| Total other financing sources | <u>23,148</u> | <u>3,982</u> |
| Deficit of revenues and other financing sources over expenditures | <u>\$ 260,414</u> | <u>\$ (216,835)</u> |