

# *Worcester County, Maryland*

## **Comprehensive Annual Financial Report**

For Fiscal Year Ended  
June 30, 2019



Worcester County Government Center

*Prepared by:*

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WORCESTER COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2019  
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# **INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATION CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



TEL: 410-632-0686  
FAX: 410-632-3003

OFFICE OF THE TREASURER

## Worcester County

GOVERNMENT CENTER

ONE WEST MARKET STREET, ROOM 1105

P.O. Box 248

SNOW HILL, MARYLAND

21863

PHILLIP G. THOMPSON, CPA  
FINANCE OFFICER

JENNIFER C. SWANTON, CPA  
ASSISTANT FINANCE OFFICER

December 9, 2019

To the County Commissioners and Citizens of Worcester County, Maryland:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for Worcester County, Maryland for the fiscal year ended June 30, 2019 as required by both local and state statutes. These statutes require that Worcester County, Maryland annually issue financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). This letter of transmittal is designed to be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for these representations, the management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The public accounting firm TGM Group LLC has audited Worcester County, Maryland's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of Worcester County, Maryland, for the fiscal year ended June 30, 2019, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement

presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements are encompassed in the United States Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Worcester County's separately issued single audit report.

### **Profile of the Government**

Worcester County, established in 1742, lies in the middle of a three-state region known as the Delmarva Peninsula, which comprises portions of Delaware, Maryland and Virginia. The County is the seventh largest in Maryland, having a land area of 483 square miles and 106 square miles of water. On the north, it is bounded by Sussex County, Delaware; on the south by Accomack County, Virginia; on the west by Wicomico and Somerset Counties, Maryland; and on the east by the Atlantic Ocean. One of Worcester County's greatest assets is its seashore. An excellent beach, which forms the entire oceanfront in Maryland, stretches for 31 miles across the entire eastern boundary of the County on a barrier island, which is separated from the mainland by a series of shallow bays.

There are four incorporated municipalities in the County: Berlin, Ocean City, Pocomoke City and Snow Hill. Berlin, Pocomoke City and Snow Hill are well-established communities ranging in size from 2,100 to about 4,500 year-round residents. Each was originally built as a residential, economic and social center to serve its surrounding agricultural communities. The Town of Ocean City is the County's most developed and its major industry is tourism. According to recent estimates, summer populations average over 295,000 in July and August and peak at nearly 325,000 on the July 4<sup>th</sup> weekend. The Towns and County provide their residents and visitors with various government services, including police and fire protection, beach patrol, water and sewage disposal, public transportation, recreational facilities and emergency health care services.

### **Form of Government**

The County is governed by an elected seven-member Board of County Commissioners, each of whom is elected from one of the seven Commissioner districts. Elections are held every four years in November. The Commissioners must be qualified voters of the County and must have resided at least two years in Worcester County immediately preceding their election. The Board must meet at least twice each month and must remain in session so long as may be necessary to properly transact the business of the County. The Board elects its own president and vice president.

The Chief Administrative Officer of the County is charged with the administration of all departments of the County government. The County provides a full range of municipal services including education, libraries, public safety (sheriff, jail, emergency services and fire marshal), recreational activities, health and social services, sanitary districts, waste disposal, recycling, a liquor retail operation, highways and streets, planning and zoning, and general administrative services.

### **Budget Process**

The Board adopts an operating budget for the General Fund and Enterprise Funds of the County. Revenue estimates for the ensuing fiscal year from the units of the County government are reviewed and compiled by the Budget Officer in February of each year. The expenditure requests are submitted to the Chief Administrative Officer, who in turn presents a requested budget to the Board in March. The Board must then conduct a public hearing on the budget submitted on or before May 30, and shall advertise at least once per week for two weeks prior to the hearing in a publication of general circulation within the County. The Board must then adopt the budget and tax rates on or before the first Tuesday in June.

In recent years, the County has taken a number of steps to control expenses and reduce the cost of providing needed services to its residents. The County's continued use and refinement of its multi-year budget document has proven useful for both operational and capital planning as the County assessable base continues to improve with a positive trend expected in the near term. Most County departments and agencies operating budgets were increased in fiscal year 2019. Salary accounts increased to include a 1% cost of living adjustment (COLA) and included a step increment of 2.5% and longevity pay for those eligible. The effects of a State-mandated escalator provision related to school funding required the County to provide additional funding for the third year to the Board of Education. An intergovernmental transfer to provide Homeowner convenience centers and recycling services was also included in the budget. Finally, the County continues to include capital asset purchases, including vehicles and heavy equipment, into the operating budget in order to meet the operating needs of the departments.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**Local Economy** – Like state and local governments across the country, Worcester County's local economic performance reflects the current national trends. The housing market continues to improve in the County and this is reflected in the steadily improving assessable base as well as the current volume of new commercial and residential construction. Of significant concern are the impacts of potential reductions in state funding and additional costs which may be passed on to local governments. The County's unemployment rates have recently experienced decreases which are in line with the national trends. The County has the second lowest property tax rate and the lowest income tax rate in the state, providing the County with financial flexibility for future years.

The County has a strong tourism industry, drawing visitors from all over the country to its pristine seashore and many historic sites. County-wide Room tax revenue increased by 5.2% in the current fiscal year, which translates to a \$19.06 million increase in gross hotel, motel, and condominium rentals. In addition, Food Tax increased by 2.07% in fiscal year 2019 indicating that our tourism market continues to perform well. The County's central location relative to the major mid-Atlantic metropolitan areas continues to make it a target destination for retirees who seek a better quality of life. Development is purposely controlled to protect the County's beauty and the fragile environment of its shoreline and waters.

**Long-Term Financial Planning** – The Board adopts a multi-year capital budget plan, covering 5 years, that forecasts spending for all anticipated capital projects. The plan addresses both repair and replacement of existing infrastructure as well as the development of new facilities to accommodate future growth. It enables the County to identify needed capital projects and to coordinate facility financing and timing. The County has no plans to issue debt in fiscal year 2020, focusing instead on the completion of ongoing projects for which funding has already been secured. These projects include the construction of the Showell Elementary School (which replaces an existing 40 year old facility), a new turf athletic field and track at Stephen Decatur High School, and numerous water and wastewater and landfill enterprise funds improvement projects

**Cash Management Policies and Practices** – The County invests its funds according to its adopted investment policy, which provides for safety of principal and maximizes security, meets daily cash flow demands, and seeks to achieve an adequate rate of return. Cash temporarily idle during the year is invested in the Maryland Local Government Investment Pool.

**Risk Management** – The County is a member of the Maryland Local Government Insurance Trust. The Trust is a public-entity risk pool which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Trust provides insurance and risk management services to its members. The County obtains worker's compensation and employee medical coverage through a commercial insurance company.

**Pension and Other Post-Employment Benefits** – County employees are covered by either the Employees' Retirement System or the Employees' Pension System of the State of Maryland. These are multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pension System and created by the Maryland General Assembly. Additional State pension plan offerings include the Law Enforcement Officers' Pension System (LEOPS) for our public safety personnel as well as a Correctional Officers' Retirement System (CORS) for employees of the County Jail. In addition to the State plan, the County assumed management of a plan that is administered by the Nationwide Life Insurance Company following the abolishment of the Worcester County Sanitary Commission in 1994. This plan provides coverage for the former employees of the Sanitary Commission, many of whom now work for the County Department of Public Works.

The County also provides other post-employment benefits (OPEB) for retirees and their dependents who meet the Maryland State Retirement System benefit qualifications. The County has created OPEB trusts for the benefit of the employees of the general government as well as the

Worcester County Board of Education. This was done in accordance with Governmental Accounting Standards Board (GASB) Statements. The purpose of these Statements is to provide a more complete and reliable reporting of the financial obligations that governments incur when they provide post-employment benefits as part of the compensation for services rendered by their employees. The enactment of these standards by GASB and the adherence to them by the County should provide our constituents more accurate information about the total cost of the services that we provide.

**Awards and Acknowledgements** – The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to Worcester County, Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Report continues to adhere to the Certificate of Achievement requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Worcester County Treasurer's Office. In addition, we could not have produced this report without the support and guidance provided by the Worcester County Commissioners and their staff. I would like to express my appreciation to all the members who contributed to this report for their conscientiousness and dedication throughout the year.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Phillip G. Thompson".

Phillip G. Thompson, CPA  
Finance Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Worcester County**  
**Maryland**

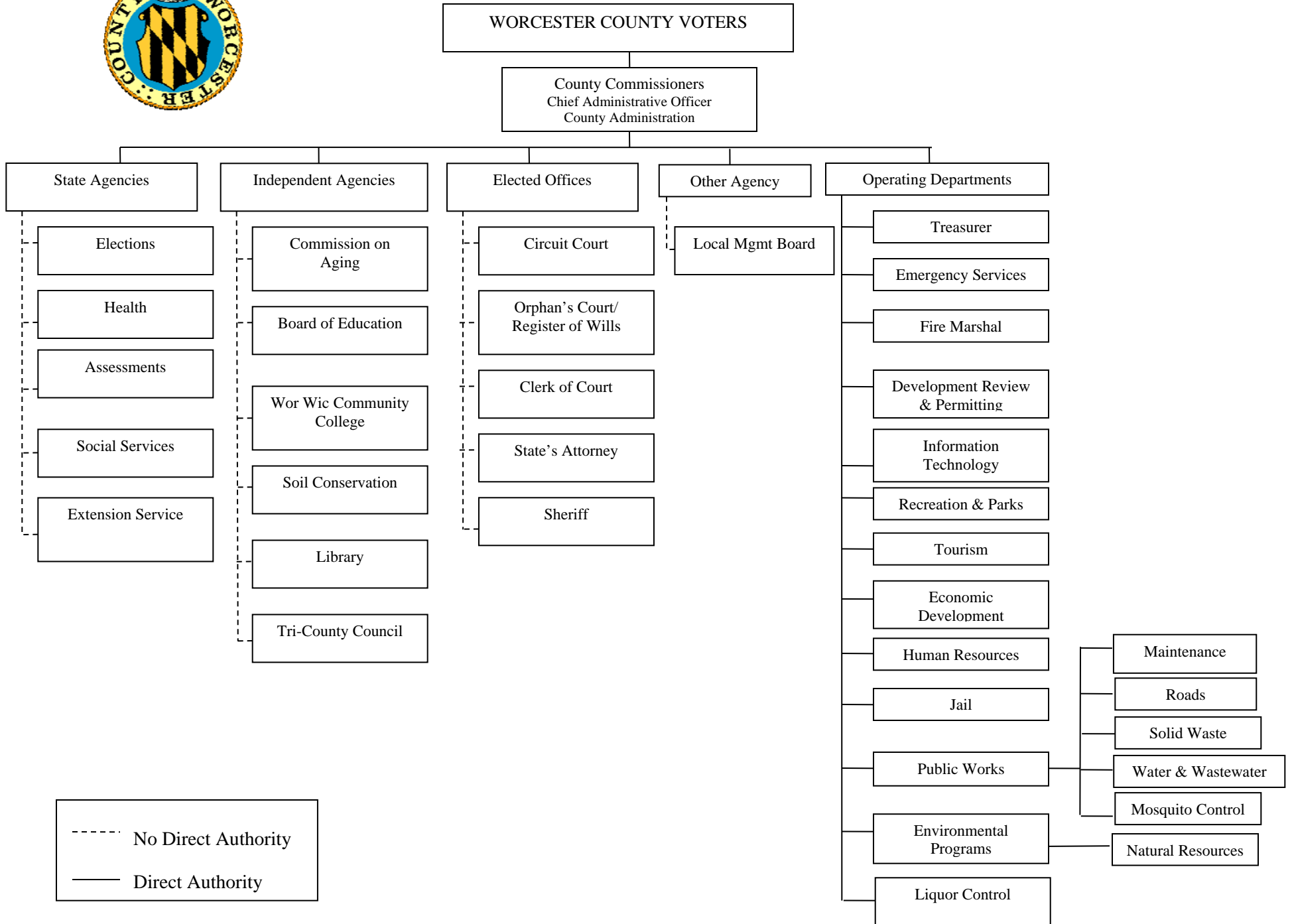
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# Worcester County Organization Chart



Worcester County, Maryland  
List of Principal Officials and Directors  
June 30, 2019

ELECTED OFFICIALS

County Commissioners	Diana Purnell, President Joseph M. Mitrecic, Vice President Anthony W. Bertino, Jr. Madison J. Bunting, Jr. James C. Church Theodore J. Elder Joshua C. Nordstorm
Sheriff	Matthew Crisafulli
State's Attorney	Kristin Heiser

APPOINTED OFFICIALS

County Administrator	Harold Higgins
Assistant County Administrator	Kelly Shannahan
Attorney	Maureen L. Howarth
Public Works Director	John Tustin
Economic Development Director	Kathryn Gordon
Environmental Programs Director	Robert Mitchell
Emergency Services Director	John William Birch, Jr.
Finance Officer	Phillip G. Thompson
Fire Marshal	Jeff McMahan
Human Resources Director	Stacey Norton
Information Technology Director	Brian Jones
Development Review and Permitting Director	Edward Tudor
Jail Warden	Donna Bounds
Library Director	Jennifer Ranck
Recreation and Parks Director	Tom Perlozzo
Tourism Director	Lisa Challenger

## **FINANCIAL SECTION**

Herbert J. Geary III  
Corey N. Duncan  
Roy J. Geiser  
Chris A. Hall  
Ronald W. Hickman  
Craig A. Walter  
Mark A. Welsh



## INDEPENDENT AUDITORS' REPORT

To the County Commissioners of  
Worcester County, Maryland  
Snow Hill, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

### **Opinions**

In our opinion, 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 unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worcester County, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information in the financial section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester County, Maryland's internal control over financial reporting and compliance.



Salisbury, Maryland  
December 9, 2019

### **Management's Discussion and Analysis**

This discussion and analysis of Worcester County's ("County") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended June 30, 2019. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

### ***Financial Highlights for Fiscal Year 2019***

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of fiscal year 2019 by \$83 million (net position) an increase of \$5.3 million over the fiscal year 2018 net position. Approximately \$60 million is attributable to the County's business-type activities of solid waste, water and wastewater, and liquor control operations and approximately \$23 million is attributable to the County's governmental activities. It is important to note that, although counties in the State of Maryland issue debt for the construction of schools, the school buildings are owned by each county's Board of Education. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for the Board of Education amounted to \$89.4 million (plus \$10.9 million in bond premium) at June 30, 2019. Absent the effect of this relationship, the County would have reported an unrestricted governmental activities net position of \$23.1 million on its government-wide financial statements, rather than the unrestricted net position of -\$66.2 million. Of note is the County's increase in overall capital assets of \$7.8 million. New school debt in the amount of \$34.1 million and new enterprise fund debt of \$5.7 million issued in fiscal year 2019 and repayment of existing general government and enterprise fund bonds of \$10 million resulted in an overall increase in bond debt of \$35.7 million.

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$88.7 million, an increase of \$33.7 million in comparison with the prior year. This increase is a combination of changes in the various fund balances.

The general fund balance decreased by \$2.2 million due to the combination of positive variance in operations of \$3.7 million and spending on capital project of \$5.9 million. The positive variance in operations comes from strong transfer and recordation taxes, higher than budgeted property taxes, and back collections on trailer park excise tax and related interest. Additional monies in the amount of \$4.5 million from health care savings were recognized and re-invested equally into the OPEB trusts for the County and Board of Education. Major non-bonded or reimbursed capital project spending during the year includes \$1.2 million for building improvements for the Ocean Pines library, \$2.2 million towards HVAC replacement at the jail, \$0.7 million towards final expenses at the Berlin library new location, and \$0.6 million towards the courthouse HVAC replacement.

The capital projects fund increased by \$35.3 million. Issuance of school debt and related premium less bond issuance cost accounted for \$39.7 million of the increase. The capital projects fund balance decreased by \$4.4 million due to planned spending of bond proceeds on school projects.

Other governmental funds increased by \$0.6 million mainly due to excess local impact grant over Worcester County Technical High School debt expense in the casino fund.

For the 2019 fiscal year real estate billing, Worcester County real property assessments increased by 2.3% over the prior year. This improvement in property values in conjunction with a steadily improving real estate market resulted in an additional \$3.9 million in net property taxes while maintaining the same property tax rate. Tourism continues to be a driving force in our local economy as indicators for room and food tax improved due in part to the County's proximity to three major metropolitan areas.

For the fiscal year 2019, budgets decreased from \$198.9 million to \$190 million or \$8.9 over the prior year. Pass-through room and food tax has been moved to agency funds and accounted for a \$14.6 million decrease. The budget for property taxes increased by \$2.9 million, transfer and recordation taxes by \$1.0 million, and interest on investments by \$1.175 million. On the expense side, the budget for County salaries increased by \$1.3 million and the OPEB contribution for County and Board of Education retiree healthcare by \$1.1 million. The County also provided a \$2.8 million increase for Education which includes required \$1.2 million increase for the State mandated Maintenance of Effort (MOE) escalator provision.

For actual general fund results during fiscal year 2019, total revenue without the change in accounting for pass-through room and food tax was up by \$10.4 million: property taxes increased by \$4.5 million or 3.4%, income tax increased by \$0.9 million or 4.1%, interest on investments increased by \$0.8 million or 83.5%, and a health care premium savings of \$4.5 million was recognized. Total expenses without the change in accounting for pass-through room and food tax were up by \$8.9 million including increases in education spending of \$5.4 million (OPEB retiree health insurance contributions by \$2.9 million) and decreases in capital project expenditures of \$1.3 million. Fiscal year 2019 department operating costs increased \$5.3 million or 6.7%. Total increases include: County salaries by \$2.0 million or 7.6% and OPEB retiree health insurance contributions by \$2.8 million.

### *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of four components: **1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.** This report also contains **4) supplementary information** in addition to the basic financial statements themselves.

#### 1) *Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities*.

- The *Statement of Net Position* presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- The *governmental activities* of the County include general government, public safety, public works, health and hospitals, social services, education, libraries, recreation and culture, conservation of natural resources, economic development, and interest on long-term debt.
- The *business-type activities* of the County include solid waste, water and sewer utility operations, and the Worcester County Department of Liquor Control.

The government-wide financial statements include not only the County itself (the primary government), but also includes the Worcester County Board of Education as a legally separate component unit and are reported separately from financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27 – 29 of this report.

#### 2) *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: *governmental, proprietary, and fiduciary funds.*

- **Governmental Funds.** Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, Debt Service, Department of Social Services, Local Management Board, Casino, and Energy Service funds.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 30 – 34 of this report.

- **Proprietary funds.** Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal Service funds*. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Enterprise funds are used to account for functions of the County in which user charges are collected to cover the cost of the service being provided. The County uses enterprise funds to account for its solid waste, water and sewer, and liquor control operations. Internal service funds are used to report activities that provide supplies and services for the government's other programs and activities. The County does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund statements can be found on pages 36 – 40 of this report.

- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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. The accounting used for fiduciary funds is similar to a proprietary fund.

The basic fiduciary fund financial statements can be found on pages 41 – 42 of this report.

### 3) ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 – 90 of this report.

### 4) ***Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information*. Required supplementary information can be found starting on page 92 of this report.

**Financial Analysis on Government-Wide Financial Statements**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. One of the largest portions of the County's net position reflects its investments in capital assets (e.g., land, buildings, roads, equipment, and bridges) less related outstanding debt used to acquire those assets in the amount of \$151,052,691 at June 30, 2019. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**Worcester County, Maryland**

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 100,051,446	\$ 67,572,678	\$ 34,321,119	\$ 30,632,103	\$ 134,372,565	\$ 98,204,781
Capital assets	102,624,236	100,362,504	89,973,991	84,410,515	192,598,227	184,773,019
<b>Total assets:</b>	<b>202,675,682</b>	<b>167,935,182</b>	<b>124,295,110</b>	<b>115,042,618</b>	<b>326,970,792</b>	<b>282,977,800</b>
<b>Deferred outflows</b>						
<b>of resources</b>	<b>8,819,889</b>	<b>10,415,664</b>	<b>-</b>	<b>-</b>	<b>8,819,889</b>	<b>10,415,664</b>
<b>Liabilities:</b>						
Current and other liabilities	19,486,558	20,314,379	18,652,548	18,721,261	\$ 38,139,106	\$ 39,035,640
Long-term liabilities	164,227,183	132,472,171	45,859,998	39,155,481	210,087,181	171,627,652
<b>Total liabilities:</b>	<b>183,713,741</b>	<b>152,786,550</b>	<b>64,512,546</b>	<b>57,876,742</b>	<b>248,226,287</b>	<b>210,663,292</b>
<b>Deferred inflows</b>						
<b>of resources</b>	<b>4,689,596</b>	<b>5,190,624</b>	<b>-</b>	<b>-</b>	<b>4,689,596</b>	<b>5,190,624</b>
<b>Net position:</b>						
Net investment in capital assets	89,332,799	86,692,388	61,719,892	61,943,999	151,052,691	148,636,387
Unrestricted	(66,240,565)	(66,318,716)	(1,937,328)	(4,778,123)	(68,177,893)	(71,096,839)
<b>Total net position:</b>	<b>\$ 23,092,234</b>	<b>\$ 20,373,672</b>	<b>\$ 59,782,564</b>	<b>\$ 57,165,876</b>	<b>\$ 82,874,798</b>	<b>\$ 77,539,548</b>

Change in net position over a period of time can be used as an indicator of the financial health of the County. The following table indicates the functional revenues and expenses of governmental activities to demonstrate the extent which the governmental functions produce revenues to offset program costs. Expenses not covered by direct program revenues are covered primarily by taxes, licenses, and state-shared revenues.

**Worcester County, Maryland**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,659,264	\$ 9,007,062	\$ 22,452,127	\$ 20,276,349	\$ 31,111,391	\$ 29,283,411
Operating grants and contributions	7,483,844	7,131,615	26,000	26,000	7,509,844	7,157,615
Capital grants and contributions	1,043,469	2,932,654	-	-	1,043,469	2,932,654
<b>General revenues:</b>						
Real and personal property taxes	136,687,069	132,813,479	-	-	136,687,069	132,813,479
Income taxes	23,172,123	22,260,250	-	-	23,172,123	22,260,250
Other local taxes	13,986,660	30,555,387	-	-	13,986,660	30,555,387
Interest income	2,163,658	1,059,323	191,124	167,894	2,354,782	1,227,217
Other income	5,117,087	618,739	-	-	5,117,087	618,739
<b>Total revenues:</b>	<b>198,313,174</b>	<b>206,378,509</b>	<b>22,669,251</b>	<b>20,470,243</b>	<b>220,982,425</b>	<b>226,848,752</b>
<b>Expenses:</b>						
General government	27,275,158	38,378,190	-	-	27,275,158	38,378,190
Public safety	37,741,726	36,229,150	-	-	37,741,726	36,229,150
Public works	7,810,742	8,808,385	-	-	7,810,742	8,808,385
Health and hospitals	6,691,645	6,597,319	-	-	6,691,645	6,597,319
Social services	2,444,405	2,290,971	-	-	2,444,405	2,290,971
Education	99,447,577	92,556,477	-	-	99,447,577	92,556,477
Libraries, recreation and culture	7,147,979	6,049,573	-	-	7,147,979	6,049,573
Conservation of natural resources	849,887	712,005	-	-	849,887	712,005
Economic development	1,634,878	1,711,548	-	-	1,634,878	1,711,548
Interest charges	2,852,292	3,704,618	-	-	2,852,292	3,704,618
Landfill			5,691,253	4,092,967	5,691,253	4,092,967
Water and wastewater			15,060,164	14,466,207	15,060,164	14,466,207
Liquor Control			999,469	1,032,268	999,469	1,032,268
<b>Total expenses:</b>	<b>193,896,289</b>	<b>197,038,236</b>	<b>21,750,886</b>	<b>19,591,442</b>	<b>215,647,175</b>	<b>216,629,678</b>
Increase (decrease) in net position	4,416,885	9,340,273	918,365	878,801	5,335,250	10,219,074
Transfer	(1,698,323)	(1,666,323)	1,698,323	1,666,323	-	-
	2,718,562	7,673,950	2,616,688	2,545,124	5,335,250	10,219,074
Net position, beginning	20,373,672	12,699,722	57,165,876	54,620,752	77,539,548	67,320,474
Net position, ending	\$ 23,092,234	\$ 20,373,672	\$ 59,782,564	\$ 57,165,876	\$ 82,874,798	\$ 77,539,548

**Governmental Activities:**

Governmental activities increased the County's net position after transfers by \$2.7 million. Key elements of the increase in the net position of governmental activities are as follows:

Revenues decreased by \$8.1 million as compared to fiscal year 2018:

- Moving pass-through room and food tax previously included in other local taxes to agency funds was a \$17 million decrease. Otherwise, government activities revenue would have increased by \$8.9 million.
- Net property taxes increased by \$3.9 million over the prior year actual due to the increase in assessments as the real estate market continues to improve.
- Health care insurance savings of \$4.5 million were rebated back to the County in fiscal year 2019 and included in other income.
- Interest income increased by \$1.1 million over the prior year due to stronger investment interest rates.
- Income taxes increased by \$0.9 million due to higher net taxable income.
- Capital grants decrease by \$1.9 million due to the new Berlin Library grant of \$1.8 million in fiscal year 2018.

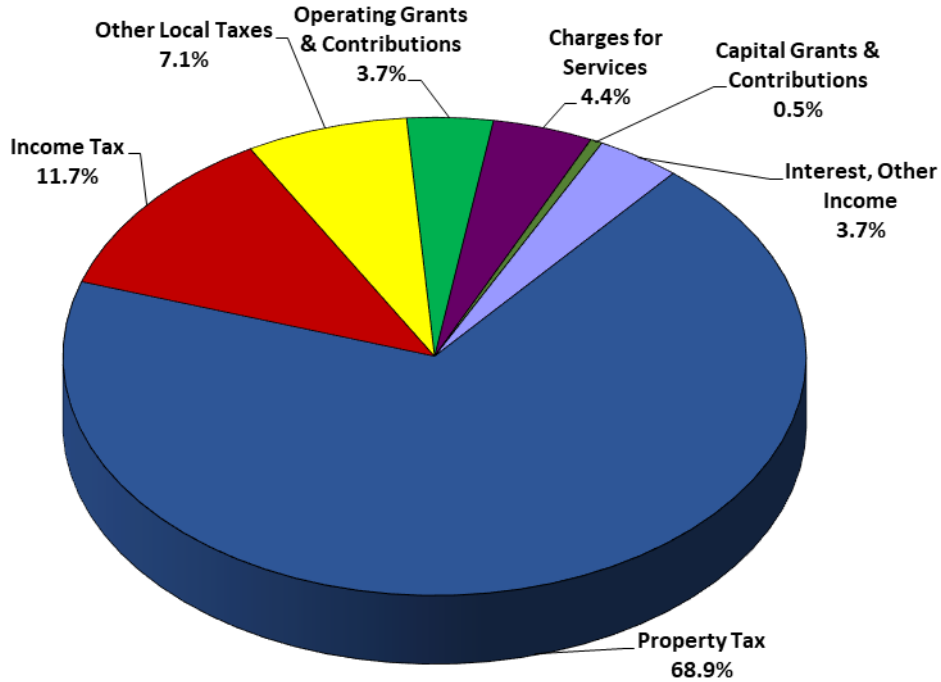
Expenses decreased by \$3.1 million as compared to fiscal year 2018 as a result of a combination of increases and decreases:

- Moving pass-through room and food tax to agency fund was a \$17.2 million decrease. Otherwise, governmental activities expenses would have increased by 14.1 million.
- Operating expenses increased by \$10.6 million (without room and food tax to towns). This is mainly due to increased spending in education of \$5.4 million, libraries, recreation, and culture of \$1.2 million, general government of \$2.1 million, and public safety of \$1.6 million.
- Within the capital projects activity, the Board of Education spent \$1.5 million more on capital expenditures than in fiscal year 2018. This increase in expenditures would be included in the education expenses since they are not capitalized on the County's statement of net position.
- Pension expenses increased by \$3.8 million and post-retirement employee benefits decreased by \$1.8 million.

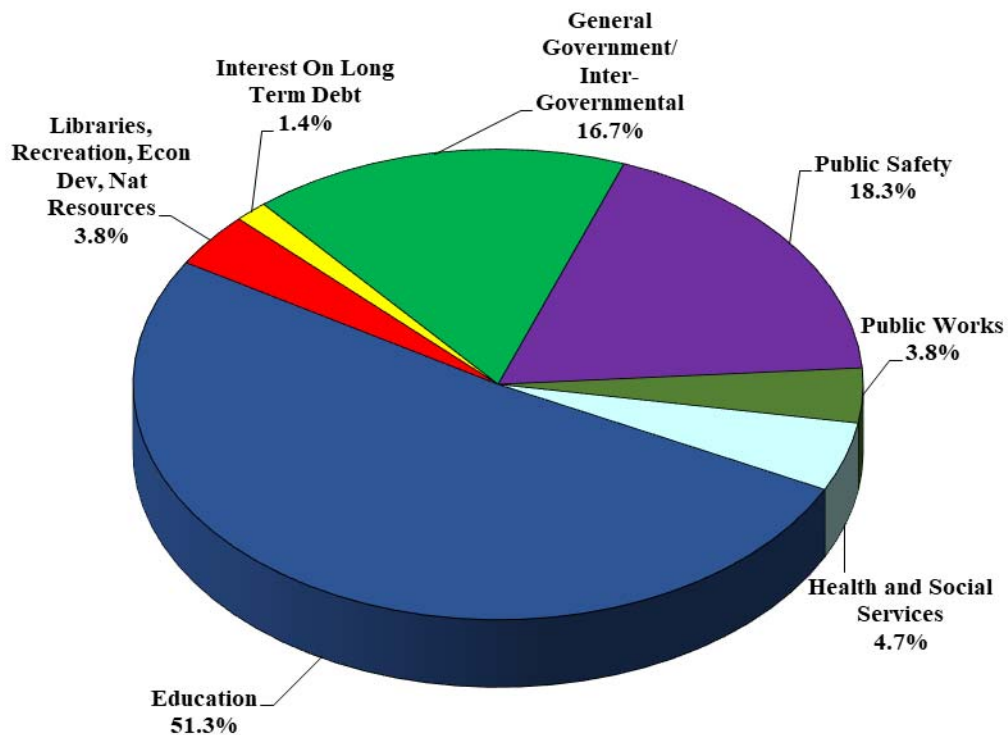
In addition, the County approved a \$1.7 million transfer from the general fund to the solid waste enterprise fund to facilitate the operations of the recycling and homeowners' convenience centers throughout the County.

Fiscal year 2019 revenues and expenses are summarized in the following charts for governmental activities.

### Revenues by Source- Governmental Activities For the Year Ended June 30, 2019



### Expenses- Governmental Activities For the Year Ended June 30, 2019



**Business-type Activities Net Position:**

<u>Enterprise Fund Statements</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change in Net Position</u>
Water and Wastewater Services	\$ 58,551,711	\$ 56,226,385	\$ 2,325,326
Solid Waste	1,935,388	1,589,653	345,735
Department of Liquor Control	<u>(704,535)</u>	<u>(650,162)</u>	<u>(54,373)</u>
Total	<u>\$ 59,782,564</u>	<u>\$ 57,165,876</u>	<u>\$ 2,616,688</u>

**Water and Wastewater**

***Revenues***

- Revenues increased to \$17.2 million in fiscal year 2019 from \$15.4 million in fiscal year 2018 due to an increase in domestic and commercial charges from service area rate increases and additional sales of water and sewer equivalent dwelling units.

***Expenses***

- Operating expenses increased to \$11.1 million in fiscal year 2019 from \$10.5 million in fiscal year 2018 due to an increase in personnel services from raises and rise in benefit costs and an increase in maintenance and services needed for the Ocean Pines and Riddle Farm service areas.
- Depreciation expense decreased to \$3.3 million in fiscal year 2019 from \$3.4 million in fiscal year 2018 due to fewer fixed asset additions in fiscal year 2019.

**Solid Waste**

***Revenues***

- Tipping fee revenue increased to \$3.7 million in fiscal year 2019 from \$3.4 million in fiscal year 2018 due to an increased volume of trash being brought to the central landfill from commercial businesses.
- License and permit revenue remained stable at \$334,135 in fiscal year 2019 and \$331,910 in fiscal year 2018.
- Recycling revenues decreased to \$190,636 in fiscal year 2019 from \$232,303 in fiscal year 2018. The sale of recyclable materials is a highly volatile market, which often experiences large changes from year to year.
- The interfund transfer from the General Fund to facilitate the operations of the recycling and homeowners' convenience centers remained stable at \$1.7 million in fiscal year 2019 and 2018.

***Expenses***

- Operating expenses increased to \$4.2 million in fiscal year 2019 from \$3.4 million in fiscal year 2018 due to the increase in closure and post-closure costs for solid waste cells 1 through 4 and an increase in personnel services.
- Depreciation expense increased to \$1.3 million in fiscal year 2019 from \$576,190 in fiscal year 2018 due to cell 5 being placed in service and depreciated for half of fiscal year 2019.

**Liquor Control**

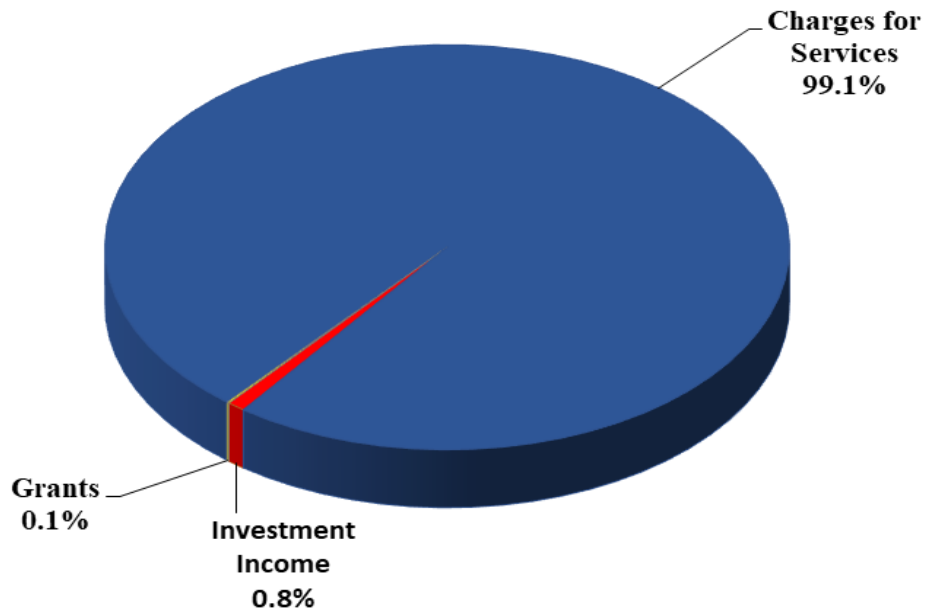
***Revenues***

- Liquor sales increased to \$850,904 in fiscal year 2019 from \$772,157 in fiscal year 2018 due to the increased advertising efforts. The corresponding cost of sales increased to \$625,157 in fiscal year 2019 from \$576,378 in fiscal year 2018.
- Miscellaneous revenue for the sublease of the 16<sup>th</sup> Street retail store remained stable at \$94,192 in fiscal year 2019 and \$92,261 in fiscal year 2018.

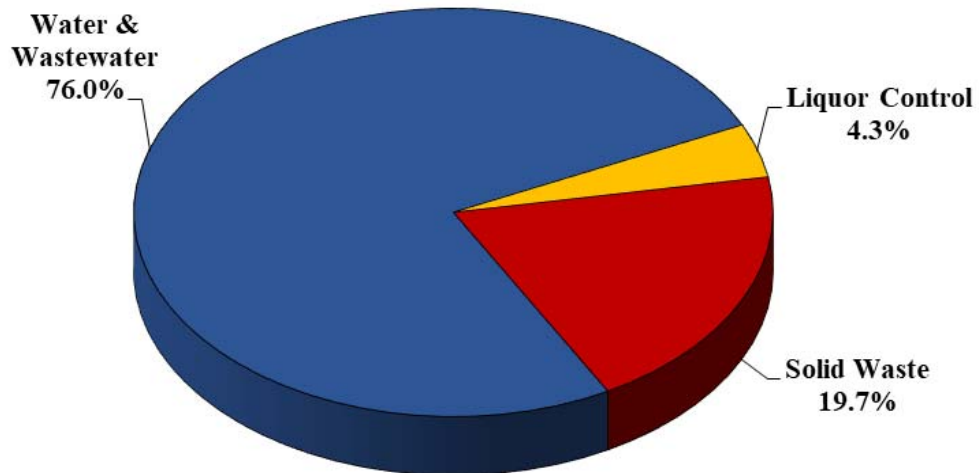
***Expenses***

- Operating expenses decreased to \$318,894 in fiscal year 2019 from \$350,913 in fiscal year 2018 due to the decrease in personnel services.
- Depreciation and general expenses decreased to \$55,418 in fiscal year 2019 from \$103,530 in fiscal year 2018 due to a decrease in professional fees relating to the County Commissioners attempt to sell the retail store and exit the liquor business, which was partially offset by an increase in advertising.

**Revenues by Source- Business-Type Activities  
For the Year Ended June 30, 2019**



**Expenses- Business-Type Activities  
For the Year Ended June 30, 2019**



## *Financial Analysis on Governmental Fund Financial Statements*

### Governmental Funds:

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, restrictions, and fiscal accountability.

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The County has implemented *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this Statement is to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. It establishes a framework based largely on the spending constraints of the government in order to determine how it may use amounts reported on the governmental funds balance sheet. Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is as of June 30, 2019 and 2018:

Governmental Activities - Fund Statements	June 30, 2019	June 30, 2018	Net Change in Fund Balance
General Fund	\$ 51,805,608	\$ 53,965,423	\$ (2,159,815)
Capital Projects Fund	34,728,744	(554,039)	35,282,783
Debt Service Fund	-	-	-
Other Governmental Funds	2,240,640	1,628,447	612,193
<b>Total</b>	<b>\$ 88,774,992</b>	<b>\$ 55,039,831</b>	<b>\$ 33,735,161</b>

The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year the fund balance of the General Fund was \$51,805,608. This fund balance includes non-spendable items totaling \$8,556 for prepaid expenses, assigned fund balance of \$16,626,776 for future capital projects, and \$35,170,276 as unassigned fund balance. In accordance with GASB Statement No. 54, the unassigned general fund amount includes the County reserve of \$19,893,268, which is set aside for contingency and emergency conditions. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.6% of total general fund expenditures, while total fund balance represents 28.9% of that same amount.

The **Capital Projects Fund** is used to account for major capital acquisition and construction of County facilities. Major sources for these projects are pay-as-you-go funding, debt proceeds, and federal and State grants. The fund balance of the County's Capital Projects Fund increased by \$35,282,783 during the current fiscal year. This is mainly due to the issuance of new school debt for the replacement of the Showell Elementary School and a new turf athletic field and track at Stephen Decatur High School.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt, including capital lease obligations, principal, interest, and related costs. The fund balance of this fund remains at \$0.

The **Other Governmental Funds** include the Department of Social Services, Local Management Board, Casino Fund, and the Energy Service Fund. Fund balances in these funds increased by \$612,193 from fiscal year 2018. The Energy Service Fund, the Department of Social Services and the Local Management Board decreased by \$39,849, \$32,693 and \$37,334, respectively. The Casino Fund, which was created to account for the County's portion of proceeds from the Ocean Downs Casino facility, reflects a \$722,069 increase in fund balance in fiscal year 2019.

Further details of these activities is on pages 118 – 119.

### *General Fund Budgetary Highlights*

General fund differences between the final budget and the final actual results for the County were at a negative variance of \$2,159,815, or \$461,492 after planned use of budget stabilization funds. Revenues received were \$8,199,827 more than final budgeted estimates and expenditures were \$2,794,013 more than final budgeted estimates. The Department of Information Technology became a separate department in FY19. Previously this activity was included in the Emergency Services division. The major variances between the budgeted amounts and actual are summarized as follows:

Revenues were \$8,199,827 more than original estimates, a 4.4% variance.

- Net property tax revenues were more than budget by \$1,393,549 or 1% due to a steadily increasing assessable base. Property taxes comprised 70.6% of all County revenues in 2019 and 66.1% when compared to 2018.
- The largest revenue variance in 2019 was in the category of “other revenue”: It was over budget by \$5,121,528 or 250.7% due to a health insurance reinvestment receipt of \$4.5 million, which was transferred to the OPEB trust. An additional \$386,896 was received for interest on investments due to the increased rate in the market and \$230,716 for on-behalf payments for the library’s Maryland State Retirement Pension which is also accounted for as an on-behalf in expenses for the library.
- A significant revenue variance in 2019 was in the category of “other local taxes”. It was over estimated budget revenues by \$2,001,660 or 16.7%. This category includes admission and amusement taxes, trailer park excise tax, room and food tax, recordation and transfer tax. Transfer tax of \$881,429 and recordation tax of \$616,381 were above budget by 14.6% due to the transfer and recording of property in the County from a steadily increasing real estate market. Trailer Park excise tax increased \$379,218 or 379.2% due to the collection of unpaid taxes.
- Income taxes ended the fiscal year with a surplus of \$172,123, or .75% over budgeted revenues. The increase in the local income tax rate from 1.25% to 1.75% in January 1, 2016 was estimated for an additional \$500,000 increase in fiscal year 2019 for actual receipts to the County and municipalities.
- Intergovernmental grants from federal and state were \$571,837 under anticipated budgets. Other grants accounted for the shortfall of \$536,835 as compared to budgets mainly due to the roads transportation grant of \$551,795 deferred to FY2020 for the Bayside Road bridge replacement which began at the end of fiscal 2019.

Expenses were \$2,794,013, or 1.5% higher compared to the budget.

- General government actual was more than budget by \$111,054 primarily due to the increased benefit cost of \$539,808 with the additional transfer of OPEB funding. Savings of \$341,729 in Other General Government included building site expenses mainly for utility savings and the Elections office savings of \$86,877 in salaries and voting expenses.
- Public safety actual expenses were more than budget by \$911,651. This was primarily due to the benefit contributions for employees of the Public Safety divisions including the Sheriff’s Office, Jail, Fire Marshal, and Emergency Services.
- Public Works actual expenses were less than budget by \$948,931. This decrease was primarily due to the deferral to FY20 of a planned bridge project and the related grant which totaled \$551,796. In addition, the Maintenance Division and Roads Department experienced a combined savings in salaries totaling \$218,032 due to unfilled vacant positions. A planned capital purchase of a Grader for the Roads Department came in \$143,064 under the budgeted amount.
- The education category was over budget by \$2,797,555 for fiscal year 2019. This included \$2,750,000 for additional Board of Education post retirement trust fund contributions.
- Other financing sources were over budget by \$7,565,629, or 180.5% which is comprised of two transfers. The first is the transfer of \$5,933,318 to the capital projects fund to cover pay-as-you-go expenses for the fiscal year not included in the fiscal year 2019 budget. The transfer to the Department of Solid Waste for \$1,698,323 from the budget stabilization fund to cover operating expenses for recycling and convenience center shortfall.

### *Capital Asset and Debt Administration*

**Capital assets:** The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$192,598,227 (net of accumulated depreciation). The total increase in the County’s investment in capital assets for the current year was 4.2%. This net investment in capital assets includes land, buildings, water and sewer infrastructure, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

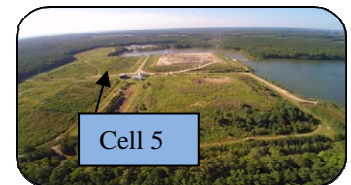
#### Worcester County, Maryland Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 15,631,638	\$ 15,631,638	\$ 1,341,872	\$ 1,341,872	\$ 16,973,510	\$ 16,973,510
Building and building improvements	59,969,870	54,534,191	2,891,117	3,012,905	62,860,987	57,547,096
Improvements other than buildings	6,073,793	6,195,973	14,008,761	7,256,720	20,082,554	13,452,693
Machinery and equipment	5,653,624	5,896,116	3,720,914	3,755,693	9,374,538	9,651,809
Water and sewer systems	-	-	67,730,289	66,141,678	67,730,289	66,141,678
Infrastructure	4,892,994	5,257,212	-	-	4,892,994	5,257,212
Construction-in-progress	10,402,317	12,847,374	281,038	2,901,647	10,683,355	15,749,021
<b>Total:</b>	<b>\$ 102,624,236</b>	<b>\$ 100,362,504</b>	<b>\$ 89,973,991</b>	<b>\$ 84,410,515</b>	<b>\$ 192,598,227</b>	<b>\$ 184,773,019</b>

Major capital asset events during the current fiscal year included the following:

#### *Enterprise Funds*

- In January 2019, the County completed the Mystic Harbour effluent disposal project to convey treated effluent from the wastewater treatment plant to be sprayed on the Eagles Landing Golf Course which is owned by the Mayor and City Council of Ocean City. The total project cost of \$3,450,000 was funded through the US Department of Agriculture with \$830,000 in grants and \$2,620,000 in loans.
- In January 2019, the County completed a project with Allan Myers of Fallston, MD for the construction of Cell 5 and with EA Engineering, Science and Technology, Inc. of Hunt Valley, MD for the construction management services. The County incurred bond funding in June 2015 for \$2,035,000 and in April 2019 for \$3,325,000 to assist in financing Cell 5 at a total cost of \$13,341,081.



#### *General government*

- In May 2017 the County contracted with The Whiting-Turner Contracting Company, of Salisbury, Maryland to identify and develop design plans to correct building issues for a total cost of \$71,183. The Ocean Pines Library was constructed in 1998 and provides service to the Ocean Pines Community as well a significant portion of Northern Worcester County. In June 2018 the County contracted with The Whiting-Turner Contracting Company a base-bid guaranteed maximum price (GMP) contract for \$1,254,639 for the architectural, building envelope, mechanical electrical and plumbing renovations (MEP) to the Ocean Pines branch library. The project cost is funded from assigned funds balance with \$1,291,646 spent by fiscal year end. The building renovations are completed with final payments due in FY2020.



- In June 2017 the County contracted with Gipe Associates, Inc of Easton, MD for \$283,000 to engineer and design building improvements and repairs with HVAC renovations and electrical improvements at the Worcester Jail. In October 2018 the County contracted with Bancroft Construction Company of Wilmington, Delaware for \$3,495,820 for the construction of the County Jail HVAC renovation project. The project is funded from assigned fund balance and the estimated completion date is the end of calendar year 2019. Inmate housing unit facilities are not included in the scope of work.



- The County engaged Allen Myers MD, Inc of Fallston, Maryland for the purchase and application of bituminous concrete blacktop resurfacing of approximately 15.49 miles of County roadways and the purchase of 12,220 square yards of paving fabric for a final cost of \$1,135,915 which was completed in June 2019.
- The County engaged Asphalt Paving Systems, Inc of Hammonton, New Jersey in March 2019 for slurry seal surfacing to resurface approximately 12.73 miles of County roadway in the amount of \$508,121.85 which was completed in June 2019.
- The purchase of new vehicles and equipment for public safety totaled \$523,386, public works new vehicles and equipment totaled \$700,988, recreation and parks totaled \$96,486, library furniture and fixtures totaled \$73,319 and general government totaled \$170,432 for vehicles and equipment during the fiscal year.
- The County contributed \$4,448,985 for the following education projects:
  - \$269,229 for the final renovations and construction of an addition to Snow Hill High School.
  - \$3,270,702 for educational specification and conceptual design for a new Showell Elementary School.
  - \$617,454 for the installation of a new turf athletic field and track at Stephen Decatur High School.
  - \$291,600 for energy management system upgrades at Pocomoke Middle school and Stephen Decatur Middle School.

Additional information on Worcester County’s capital assets can be found in note 5 on pages 56 – 57 of this report.

**Long-term debt:** At the end of the current fiscal year, Worcester County had total bonded long-term debt of \$127,247,437. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$24,968,024 of the total debt. School-related debt totals \$89,425,000 at June 30, 2019 and is included in the governmental activities.

**Worcester County, Maryland**  
**Outstanding Debt/General Obligation Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Bonded Debt	\$ 102,279,413	\$ 76,854,107	\$ 24,968,024	\$ 20,591,706	\$ 127,247,437	\$ 97,445,813

The County’s total bonded debt increased by \$29,801,624 during the current fiscal year: \$40 million in new debt was taken out and reductions of \$10 million due to planned repayments of debt.

Worcester County maintains an “AA” rating with Fitch, an “Aa2” rating with Moody’s, and an “AA+” rating with Standard and Poor’s for general obligation debt.

Additional information on the County’s long-term debt can be found in note 6 on pages 58 – 63 of this report.

## ***General Fund Economic Factors and Next Year's Budgets and Rates***

### ***Fiscal Year 2020 Budget***

The approved fiscal year 2020 operating budget is \$201,285,552 and is supported by an increase in the real property tax rate from \$.835 to \$.845, an increase of 1¢ per \$100 of assessed value and an increase in the personal property tax rate from \$2.0875 to \$2.1125 per \$100. Fiscal year 2020 represents the fourth year of increasing real property assessment in the County. The County increased the local income tax rate from 1.75% to 2.25%, which will take effect January 1, 2020. The fiscal year 2020 budget for the general fund now includes the obligations of operating the Recycling and Homeowner Convenience Center expenses and revenues.

### ***Revenues***

In fiscal year 2020, the operating budget increased \$11,254,883 or 5.9% more than fiscal year 2019. The real property tax rate increase of \$.01 to \$.845 combined with assessment increases will increase net property taxes \$5.0 million. Income tax revenue estimates increase by \$3.5 million, due to historical receipt estimates using the current tax rate of 1.75% through December 31, 2019 and the new tax rate of 2.25% beginning January 1, 2020. The additional revenues derived from the increase in the County income tax rate will be dedicated to fund Other Post-Employment Benefits (OPEB) to address long term funding needs for County and Board of Education employees. Other local taxes increased \$549,000 primarily due to an increase of \$162,000 in recordation taxes and \$250,000 in transfer taxes. Licenses and Permits increased \$329,000 for Homeowner Convenience Center permits and \$180,800 for recycling revenues. Interest income increased \$425,000 based on improving interest rates. The County will utilize for the seventh year the planned use of casino/local impact grant and table game funds totaling \$3,067,811 for the debt payment for the Worcester Career and Technical High School in fiscal year 2020 and public safety expenditures to benefit the County. A decrease in revenues of \$1,698,323 from existing budget stabilization funds to the solid waste enterprise fund is realized due to the change in operations to the general fund.

### ***Expenditures***

The fiscal year 2020 operating budget increase from the prior year includes significant increases in budget expenses to most all departments and agencies for a fifth year due to equipment and capital purchases that were delayed during the economic downturn. Salary increases were included for County employees in July 2019. Medical and pharmacy enhancements enacted annually since fiscal year 2016 enabled the County to maintain the health insurance plan without any additional plan changes and included a slight decrease of .01% to the rates. Debt service increased \$1.5 million for the Showell Elementary replacement school new debt. The other post-employment benefit general fund transfer will be funded at \$7,000,000, which is an increase of \$1.929 million from the prior year with the dedicated income tax revenue increase. The Board of Education operating budget was increase by \$4,175,931 above the fiscal year 2019 budget which included \$2.5 million for the BOE trust fund remittance to the OPEB liability. The State of Maryland requires local governments to spend as much on school operating budgets on a per-pupil base as they did the year before; thus, the maintenance of effort. In fiscal year 2020 the required maintenance of effort (MOE) level increased by two factors and totaled \$1,843,129. These include the MOE escalator provision which took effect in fiscal year 2015 and requires additional funding of 1% or \$870,900 for fiscal year 2019 and the enrollment increase of additional students equated to \$972,229. The additional budget increase covered school salary account increases.

### ***Requests for Information***

This financial report is designed to provide a general overview of Worcester County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Government Center Room 1105, Snow Hill, MD 21863.

## BASIC FINANCIAL STATEMENTS

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
<b>ASSETS</b>				
Cash and short-term investments	\$ 87,086,089	\$ 13,305,611	\$ 100,391,700	\$ 5,996,027
Receivables:				
Taxes	3,443,894	-	3,443,894	-
Federal, state, and local governments	6,079,467	-	6,079,467	4,599,058
Other	574,001	5,419,863	5,993,864	60,286
Internal balances	2,741,598	(2,741,598)	-	-
Inventories, at first-in, first-out method	-	237,016	237,016	-
Prepaid items	8,556	-	8,556	-
Other assets	117,841	18,100,227	18,218,068	-
Nondepreciable capital assets	26,033,955	1,622,910	27,656,865	15,143,564
Depreciable capital assets, net	76,590,281	88,351,081	164,941,362	155,928,158
<b>Total assets</b>	<b>202,675,682</b>	<b>124,295,110</b>	<b>326,970,792</b>	<b>181,727,093</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions (see Note 7)	5,871,345	-	5,871,345	1,061,311
Other post employment benefits (see Note 8)	2,948,544	-	2,948,544	13,764,092
<b>Total deferred outflows of resources</b>	<b>8,819,889</b>	<b>-</b>	<b>8,819,889</b>	<b>14,825,403</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	6,962,447	1,024,484	7,986,931	8,367,698
Unearned revenue	989,425	-	989,425	625,510
Due to fiduciary funds	969	-	969	-
Early incentive payment	-	-	-	439,444
Long-term liabilities:				
Compensated absences due within one year	947,000	177,520	1,124,520	43,205
Compensated absences due in more than one year	1,135,360	216,969	1,352,329	274,945
Long-term debt due within one year	10,586,717	17,450,545	28,037,262	-
Long-term debt due in more than one year	103,618,075	26,347,869	129,965,944	-
Unearned revenue	-	19,295,160	19,295,160	-
Net pension liability (see Note 7)	29,064,712	-	29,064,712	5,075,428
Other post employment benefits (see Note 8)	30,409,036	-	30,409,036	347,875,060
<b>Total liabilities</b>	<b>183,713,741</b>	<b>64,512,546</b>	<b>248,226,287</b>	<b>362,701,290</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions (see Note 7)	3,296,550	-	3,296,550	578,709
Other post employment benefits (see Note 8)	1,393,046	-	1,393,046	15,988,610
<b>Total deferred inflows of resources</b>	<b>4,689,596</b>	<b>-</b>	<b>4,689,596</b>	<b>16,567,319</b>
<b>NET POSITION</b>				
Net investment in capital assets	89,332,799	61,719,892	151,052,691	171,071,722
Restricted for:				
Capital projects	-	-	-	53,097
Food service activities	-	-	-	11,603
Unrestricted (deficit)	(66,240,565)	(1,937,328)	(68,177,893)	(353,852,535)
<b>Total net position</b>	<b>\$ 23,092,234</b>	<b>\$ 59,782,564</b>	<b>\$ 82,874,798</b>	<b>\$ (182,716,113)</b>

The Notes to Financial Statements are an integral part of this statement.

WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Governmental activities:</b>				
Current:				
General government	\$ 27,275,158	\$ 2,062,878	\$ 4,307,231	\$ 95,859
Public safety	37,741,726	5,651,824	1,323,838	595,630
Public works	7,810,742	107,201	535,560	20,272
Health and hospitals	6,691,645	447,883	138,562	-
Social services	2,444,405	-	46,403	36,485
Education	99,447,577	-	100,000	-
Libraries, recreation and culture	7,147,979	353,870	876,643	96,144
Conservation of natural resources	849,887	-	-	-
Economic development	1,634,878	35,608	155,607	199,079
Interest on long-term debt	2,852,292	-	-	-
<b>Total governmental activities</b>	<b>193,896,289</b>	<b>8,659,264</b>	<b>7,483,844</b>	<b>1,043,469</b>
<b>Business-type activities:</b>				
Department of Solid Waste	5,691,253	4,262,096	-	-
Department of Water and Wastewater	15,060,164	17,244,935	26,000	-
Department of Liquor Control	999,469	945,096	-	-
<b>Total business-type activities</b>	<b>21,750,886</b>	<b>22,452,127</b>	<b>26,000</b>	<b>-</b>
<b>Total primary government</b>	<b>215,647,175</b>	<b>31,111,391</b>	<b>7,509,844</b>	<b>1,043,469</b>
<b>Component units:</b>				
The Worcester County Board of Education	153,047,784	731,178	129,099,115	11,365,309
<b>Total component units</b>	<b>153,047,784</b>	<b>731,178</b>	<b>129,099,115</b>	<b>11,365,309</b>

**General revenues:**

Taxes:

Real and personal property

Income

Other:

Room tax & admin fees

Admission and amusement

Recordation

Trailer park excise tax

Transfer tax

Food tax & admin fees

Interest

Other

**Total general revenues**

**Transfers**

Total change in net position

*Net position, beginning of year*

*Net position, end of year*

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
\$ (20,809,190)	\$ -	\$ (20,809,190)	\$ -
(30,170,434)	-	(30,170,434)	-
(7,147,709)	-	(7,147,709)	-
(6,105,200)	-	(6,105,200)	-
(2,361,517)	-	(2,361,517)	-
(99,347,577)	-	(99,347,577)	-
(5,821,322)	-	(5,821,322)	-
(849,887)	-	(849,887)	-
(1,244,584)	-	(1,244,584)	-
(2,852,292)	-	(2,852,292)	-
(176,709,712)	-	(176,709,712)	-
-	(1,429,157)	(1,429,157)	-
-	2,210,771	2,210,771	-
-	(54,373)	(54,373)	-
-	727,241	727,241	-
(176,709,712)	727,241	(175,982,471)	-
-	-	-	(11,852,182)
-	-	-	(11,852,182)
136,687,069	-	136,687,069	-
23,172,123	-	23,172,123	-
1,043,596	-	1,043,596	-
636,731	-	636,731	-
7,116,381	-	7,116,381	-
479,218	-	479,218	-
4,631,429	-	4,631,429	-
79,305	-	79,305	-
2,163,658	191,124	2,354,782	1,342
5,117,087	-	5,117,087	216,346
181,126,597	191,124	181,317,721	217,688
(1,698,323)	1,698,323	-	-
2,718,562	2,616,688	5,335,250	(11,634,494)
20,373,672	57,165,876	77,539,548	(171,081,619)
\$ 23,092,234	\$ 59,782,564	\$ 82,874,798	\$ (182,716,113)

WORCESTER COUNTY, MARYLAND

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 48,585,799	\$ 36,473,431	\$ -	\$ 2,026,859	\$ 87,086,089
Receivables:					
Taxes	3,443,894	-	-	-	3,443,894
Federal, state, and local governments	6,079,467	-	-	-	6,079,467
Other	522,066	-	-	51,935	574,001
Due from other funds	2,741,598	49,276	-	374,513	3,165,387
Prepaid items	8,556	-	-	-	8,556
Other assets	117,841	-	-	-	117,841
<b>Total assets</b>	<b>\$ 61,499,221</b>	<b>\$ 36,522,707</b>	<b>\$ -</b>	<b>\$ 2,453,307</b>	<b>\$ 100,475,235</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 3,107,194	\$ 1,694,827	\$ -	\$ 212,667	\$ 5,014,688
Due to other funds	424,758	-	-	-	424,758
Unearned revenue	890,289	99,136	-	-	989,425
Other	2,894,759	-	-	-	2,894,759
<b>Total liabilities</b>	<b>7,317,000</b>	<b>1,793,963</b>	<b>-</b>	<b>212,667</b>	<b>9,323,630</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	2,376,613	-	-	-	2,376,613
<b>FUND BALANCES</b>					
Nonspendable	8,556	-	-	-	8,556
Restricted	-	34,728,744	-	-	34,728,744
Assigned	16,626,776	-	-	2,240,640	18,867,416
Unassigned	35,170,276	-	-	-	35,170,276
<b>Total fund balances</b>	<b>51,805,608</b>	<b>34,728,744</b>	<b>-</b>	<b>2,240,640</b>	<b>88,774,992</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 61,499,221</b>	<b>\$ 36,522,707</b>	<b>\$ -</b>	<b>\$ 2,453,307</b>	<b>\$ 100,475,235</b>

*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER COUNTY, MARYLAND  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2019

Total fund balances, governmental funds \$ 88,774,992

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

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 102,624,236

Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position. 2,376,613

Deferred outflows of resources - pensions (see Note 7) 5,871,345

Deferred outflows of resources - OPEB (see Note 8) 2,948,544

Deferred inflows of resources - pensions (see Note 7) (3,296,550)

Deferred inflows of resources - OPEB (see Note 8) (1,393,046)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Bonds, notes, and capital leases payable	(114,204,792)	
Compensated absences	(1,135,360)	
Net pension liability (see Note 7)	(29,064,712)	
Other post employment benefits (see Note 8)	(30,409,036)	
Total long-term liabilities	(174,813,900)	(174,813,900)

Net position of governmental activities in the Statement of Net Position \$ 23,092,234

*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>					
Taxes and special assessments	\$174,373,397	\$ -	\$ -	\$ -	\$174,373,397
Licenses and permits	1,959,788	-	-	-	1,959,788
Intergovernmental	4,338,778	595,630	-	3,647,304	8,581,712
Service charges and fees	6,459,709	-	-	-	6,459,709
Miscellaneous	7,164,351	278,941	-	22,821	7,466,113
<b>Total revenues</b>	<b>194,296,023</b>	<b>874,571</b>	<b>-</b>	<b>3,670,125</b>	<b>198,840,719</b>
<b>EXPENDITURES:</b>					
Current:					
General government	17,325,562	-	-	-	17,325,562
Public safety	35,402,667	-	-	-	35,402,667
Public works	6,773,851	-	-	-	6,773,851
Health and hospitals	6,218,443	-	-	-	6,218,443
Social services	1,662,522	-	-	781,883	2,444,405
Education	94,998,592	4,448,985	-	-	99,447,577
Libraries, recreation, parks and culture	6,695,951	-	-	-	6,695,951
Conservation of natural resources	810,038	-	-	39,849	849,887
Economic development	1,577,718	-	-	-	1,577,718
Distributions to incorporated municipalities	8,032,840	-	-	-	8,032,840
Capital projects	-	6,699,794	-	-	6,699,794
Debt service:					
Principal retirement	-	-	8,654,694	-	8,654,694
Interest and other charges	-	349,710	2,977,738	-	3,327,448
<b>Total expenditures</b>	<b>179,498,184</b>	<b>11,498,489</b>	<b>11,632,432</b>	<b>821,732</b>	<b>203,450,837</b>
Excess (deficiency) of revenues over expenditures	14,797,839	(10,623,918)	(11,632,432)	2,848,393	(4,610,118)
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of long-term debt	-	34,080,000	-	-	34,080,000
Premium on debt issued	-	5,963,602	-	-	5,963,602
Transfers in	2,306,419	5,933,318	11,632,432	-	19,872,169
Transfers out	(19,264,073)	(70,219)	-	(2,236,200)	(21,570,492)
<b>Total other financing sources (uses)</b>	<b>(16,957,654)</b>	<b>45,906,701</b>	<b>11,632,432</b>	<b>(2,236,200)</b>	<b>38,345,279</b>
Net change in fund balances	(2,159,815)	35,282,783	-	612,193	33,735,161
Fund balances, beginning	53,965,423	(554,039)	-	1,628,447	55,039,831
Fund balances, ending	\$ 51,805,608	\$34,728,744	\$ -	\$ 2,240,640	\$ 88,774,992

*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER 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, 2019

Net change in fund balances, governmental funds \$ 33,735,161

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	7,044,382
Depreciation expense	(4,782,650)

Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year. (527,545)

Governmental funds report payments of debt principal as an expenditure. In contrast, the Statement of Activities treats such payments as a reduction in long-term liabilities. 8,669,331

Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, bonds of this amount were issued, net of premiums, discounts, and similar items. (40,043,602)

Premiums, discounts, and similar items are reported in governmental funds when debt is issued; whereas, these amounts are deferred and amortized in the Statement of Activities. 475,156

Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These items consist of:

Change in pension expense (see Note 7)	(3,791,084)
Change in post-retirement employee benefits (see Note 8)	1,841,523
Change in compensated absences	97,891

Change in net position of governmental activities	\$ 2,718,563
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*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 170,806,065	\$ 170,806,065	\$ 174,373,397	\$ 3,567,332
Licenses and permits	1,944,507	1,944,507	1,959,788	15,281
Intergovernmental	4,910,615	4,910,615	4,338,778	(571,837)
Charges for services	6,392,186	6,392,186	6,459,709	67,523
Miscellaneous	2,042,823	2,042,823	7,164,351	5,121,528
<b>Total revenues</b>	<b>186,096,196</b>	<b>186,096,196</b>	<b>194,296,023</b>	<b>8,199,827</b>
<b>EXPENDITURES:</b>				
General government	16,466,412	17,214,508	17,325,562	(111,054)
Public safety	35,243,479	34,491,016	35,402,667	(911,651)
Public works	7,722,782	7,722,782	6,773,851	948,931
Health and hospitals	6,281,407	6,281,407	6,218,443	62,964
Social services	1,474,882	1,474,882	1,662,522	(187,640)
Education	92,201,037	92,201,037	94,998,592	(2,797,555)
Libraries, recreation, parks, and culture	6,834,150	6,834,150	6,695,951	138,199
Conservation of natural resources	682,692	682,692	810,038	(127,346)
Economic development	1,749,835	1,754,202	1,577,718	176,484
Intergovernmental	8,047,495	8,047,495	8,032,840	14,655
<b>Total expenditures</b>	<b>176,704,171</b>	<b>176,704,171</b>	<b>179,498,184</b>	<b>(2,794,013)</b>
<b>Excess of revenues over expenditures</b>	<b>9,392,025</b>	<b>9,392,025</b>	<b>14,797,839</b>	<b>5,405,814</b>
<b>OTHER FINANCING (SOURCES) USES:</b>				
Operating transfers in	(3,934,523)	(3,934,523)	(2,306,419)	(1,628,104)
Operating transfers out	13,326,548	13,326,548	19,264,073	(5,937,525)
<b>Total other financing uses</b>	<b>9,392,025</b>	<b>9,392,025</b>	<b>16,957,654</b>	<b>(7,565,629)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(2,159,815)</b>	<b><u>\$(2,159,815)</u></b>
Fund balance, beginning			<u>53,965,423</u>	
Fund balance, ending			<u>\$ 51,805,608</u>	

*The Notes to Financial Statements are an integral part of this statement.*



WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

BUSINESS-TYPE ACTIVITIES

June 30, 2019

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and short-term investments	\$ 4,368,596	\$ 8,895,375	\$ 41,640	\$ 13,305,611
Accounts receivable	198,987	5,220,876	-	5,419,863
Inventory	-	-	237,016	237,016
<b>Total current assets</b>	<b>4,567,583</b>	<b>14,116,251</b>	<b>278,656</b>	<b>18,962,490</b>
Noncurrent assets:				
Capital assets:				
Land, land rights and improvements	1,226,989	114,883	-	1,341,872
Construction-in-progress	-	281,038	-	281,038
Buildings and building improvements	4,233,213	-	715,215	4,948,428
Improvements other than buildings	42,199,768	-	-	42,199,768
Water and sewer systems	-	112,056,266	-	112,056,266
Machinery and equipment	7,588,345	5,088,239	-	12,676,584
	55,248,315	117,540,426	715,215	173,503,956
Less: accumulated depreciation	(34,771,746)	(48,478,769)	(279,450)	(83,529,965)
	20,476,569	69,061,657	435,765	89,973,991
Other assets:				
Long-term debt service receivable	-	18,100,227	-	18,100,227
<b>Total noncurrent assets</b>	<b>20,476,569</b>	<b>87,161,884</b>	<b>435,765</b>	<b>108,074,218</b>
<b>Total assets</b>	<b>\$ 25,044,152</b>	<b>\$ 101,278,135</b>	<b>\$ 714,421</b>	<b>\$ 127,036,708</b>

*The Notes to Financial Statements are an integral part of this statement.*

	Department of <u>Solid Waste</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 380,536	\$ 633,819	\$ 49,978	\$ 1,064,333
Bonds and notes payable - current	159,746	1,295,483	-	1,455,229
Capital leases payable - current	451,001	-	-	451,001
Landfill - closure and postclosure costs	15,544,315	-	-	15,544,315
Accrued bond interest payable	-	137,671	-	137,671
Due to other funds	124,511	48,395	-	172,906
<b>Total current liabilities</b>	<b>16,660,109</b>	<b>2,115,368</b>	<b>49,978</b>	<b>18,825,455</b>
Noncurrent liabilities:				
Unearned revenues	-	19,295,160	-	19,295,160
Compensated absences	56,042	157,867	3,060	216,969
Bonds and notes payable	5,117,925	19,955,256	-	25,073,181
Capital leases payable	1,274,688	-	-	1,274,688
Due to other funds	-	1,202,774	1,365,918	2,568,692
<b>Total noncurrent liabilities</b>	<b>6,448,655</b>	<b>40,611,057</b>	<b>1,368,978</b>	<b>48,428,690</b>
<b>Total liabilities</b>	<b>23,108,764</b>	<b>42,726,424</b>	<b>1,418,956</b>	<b>67,254,144</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	13,473,209	47,810,918	435,765	61,719,892
Unrestricted (deficit)	(11,537,821)	10,740,793	(1,140,300)	(1,937,328)
<b>Total net position (deficit)</b>	<b>\$ 1,935,388</b>	<b>\$ 58,551,711</b>	<b>\$ (704,535)</b>	<b>\$ 59,782,564</b>

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 BUSINESS-TYPE ACTIVITIES  
 Year Ended June 30, 2019

	Department of <u>Solid Waste</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>				
Domestic charges	\$ -	\$ 9,504,347	\$ -	\$ 9,504,347
Commercial charges	-	856,628	-	856,628
Hook-up charges	-	238,597	-	238,597
Future capital development	-	317,462	-	317,462
Interest and penalties on overdue accounts	1,979	142,883	-	144,862
Additional assessments	-	606,335	-	606,335
Payments by developers	-	25,923	-	25,923
Other revenue	26,230	3,390,580	94,192	3,511,002
Debt service revenue	-	1,912,940	-	1,912,940
White Horse Park revenue	-	249,240	-	249,240
Liquor sales	-	-	850,904	850,904
Recycling charges	190,636	-	-	190,636
Stump, yard waste, and mulch revenue	49,215	-	-	49,215
Licenses and permits	334,135	-	-	334,135
Tipping fees	3,659,901	-	-	3,659,901
<b>Total operating revenues</b>	<b>4,262,096</b>	<b>17,244,935</b>	<b>945,096</b>	<b>22,452,127</b>
<b>Cost of goods sold</b>	<b>-</b>	<b>-</b>	<b>625,157</b>	<b>625,157</b>
Gross profit	4,262,096	17,244,935	319,939	21,826,970
<b>Total operating expenses</b>	<b>4,174,525</b>	<b>11,146,402</b>	<b>318,894</b>	<b>15,639,821</b>
Operating income (loss) before depreciation and general expenses	87,571	6,098,533	1,045	6,187,149
Depreciation and general expenses	1,326,283	3,344,747	55,418	4,726,448
Operating income (loss)	(1,238,712)	2,753,786	(54,373)	1,460,701
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest on investments	76,569	114,555	-	191,124
Sale of assets	20,500	10,728	-	31,228
Operating grants	-	26,000	-	26,000
Interest expense	(210,945)	(579,743)	-	(790,688)
Total nonoperating revenues (expenses)	(113,876)	(428,460)	-	(542,336)
<b>TRANSFERS IN</b>	<b>1,698,323</b>	<b>-</b>	<b>-</b>	<b>1,698,323</b>
Change in net position	345,735	2,325,326	(54,373)	2,616,688
Net position (deficit), beginning	1,589,653	56,226,385	(650,162)	57,165,876
Net position (deficit), ending	\$ 1,935,388	\$ 58,551,711	\$ (704,535)	\$ 59,782,564

The Notes to Financial Statements are an integral part of this statement.

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES

Year Ended June 30, 2019

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received for services	\$ 4,272,817	\$ 15,024,276	\$ -	\$ 19,297,093
Cash received for liquor sales	-	-	850,904	850,904
Cash received from other revenues	28,209	3,390,580	94,192	3,512,981
Cash received for future capital development	-	317,462	-	317,462
Cash payments to employees	(1,487,388)	(3,601,350)	(79,827)	(5,168,565)
Cash payments for fringe benefits	(1,017,440)	(1,976,852)	(48,989)	(3,043,281)
Cash payments for inventory, materials, supplies, and services	(1,794,944)	(5,467,435)	(902,343)	(8,164,722)
Net cash provided (used) by operating activities	1,254	7,686,682	(86,063)	7,601,873
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of property and equipment	(7,660,178)	(2,308,777)	-	(9,968,955)
Proceeds from sales of property and equipment	155,500	10,728	-	166,228
Proceeds from issuance of bonds and notes	3,353,014	3,277,403	-	6,630,417
Principal paid on capital lease obligations	(565,632)	-	-	(565,632)
Principal paid on bonds, lines of credit, and notes	(113,108)	(1,195,574)	-	(1,308,682)
Interest paid on capital lease obligations	(74,875)	-	-	(74,875)
Interest paid on bonds, lines of credit, and notes	(136,070)	(579,743)	-	(715,813)
Bond costs deferred	(18,967)	(54,781)	-	(73,748)
Debt service assessments deferred	-	(1,615,069)	-	(1,615,069)
Net cash used by capital and related financing activities	(5,060,316)	(2,465,813)	-	(7,526,129)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received for operating grants	-	26,000	-	26,000
Transfers from General Fund	1,698,323	-	-	1,698,323
Advances from (to) other funds	133,117	(1,443,609)	81,007	(1,229,485)
Net cash provided (used) by noncapital financing activities	1,831,440	(1,417,609)	81,007	494,838
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	76,569	114,555	-	191,124
Net cash provided by investing activities	76,569	114,555	-	191,124
<b>Net increase (decrease) in cash and short-term investments</b>	<b>(3,151,053)</b>	<b>3,917,815</b>	<b>(5,056)</b>	<b>761,706</b>
<b>Cash and short-term investments, beginning</b>	<b>7,519,649</b>	<b>4,977,560</b>	<b>46,696</b>	<b>12,543,905</b>
<b>Cash and short-term investments, ending</b>	<b>\$ 4,368,596</b>	<b>\$ 8,895,375</b>	<b>\$ 41,640</b>	<b>\$ 13,305,611</b>

The Notes to Financial Statements are an integral part of this statement.

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS

BUSINESS-TYPE ACTIVITIES

Year Ended June 30, 2019

(CONTINUED)

	Department of <u>Solid Waste</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED BY</b>				
<b>OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (1,238,712)	\$ 2,753,786	\$ (54,373)	\$ 1,460,701
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,326,283	3,344,747	15,960	4,686,990
Changes in assets and liabilities:				
Accounts receivable	38,930	(127,953)	-	(89,023)
Inventories	-	-	6,267	6,267
Accounts payable and accrued expenses	(117,827)	108,236	(47,112)	(56,704)
Unearned revenue	-	1,615,336	-	1,615,336
Compensated absences	(7,420)	(7,469)	(6,805)	(21,694)
Net cash provided (used) by operating activities	\$ 1,254	\$ 7,686,682	\$ (86,063)	\$ 7,601,873
<b>NONCASH INVESTING, CAPITAL, AND</b>				
<b>FINANCING ACTIVITIES:</b>				
Equipment acquired under capital leases	\$ 416,511	\$ -	\$ -	\$ 416,511
Total non-cash activities	\$ 416,511	\$ -	\$ -	\$ 416,511

*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2019

	Public Drainage <u>Associations</u>	Other Post- Employment Benefits <u>Trust</u>	Agency <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 593,100	\$ 820,371	\$ 2,540,275
Trust investments:			
Money market funds	-	2,016,503	-
MLGIP	-	417,983	-
Fixed income securities	-	17,757,364	-
Equities securities	-	33,847,249	-
Taxes receivable	-	-	1,617,004
Special assessments receivable	6,951	-	-
Due from other funds	969	-	-
<b>Total assets</b>	<b>601,020</b>	<b>54,859,470</b>	<b>4,157,279</b>
<b>LIABILITIES</b>			
Due to other governmental units	-	-	1,726,655
Other liabilities	-	-	2,430,624
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,157,279</b>
<b>NET POSITION</b>			
Held in trust for other post-employment benefits	-	54,859,470	-
Restricted	601,020	-	-
<b>Total net position</b>	<b>\$ 601,020</b>	<b>\$ 54,859,470</b>	<b>\$ -</b>

*The Notes to Financial Statements are an integral part of this statement.*

WORCESTER COUNTY, MARYLAND  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2019

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>
<b>ADDITIONS:</b>		
Contributions:		
Special assessments	\$ 107,931	\$ -
Intergovernmental	4,919	-
Employer contributions	-	5,285,500
Plan member contributions	-	662,364
Miscellaneous	18,500	-
Total contributions	131,350	5,947,864
Investment earnings:		
Interest	2,288	64,834
Net increase in fair value of investments	-	2,890,585
Total investment earnings	2,288	2,955,419
Total additions	133,638	8,903,283
<b>DEDUCTIONS:</b>		
Ditch maintenance	113,417	-
Claims incurred	-	3,345,496
Miscellaneous	224	3,399
Total deductions	113,641	3,348,895
Change in net position	19,997	5,554,388
Net position, beginning	581,023	49,305,082
Net position, ending	\$ 601,020	\$ 54,859,470

*The Notes to Financial Statements are an integral part of this statement.*

NOTES TO FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Description of Worcester County, Maryland**

Worcester County, Maryland (the “County”) is a home rule county governed by a seven-member Board of County Commissioners with the county seat located in Snow Hill, Maryland. The County government directly provides all basic local governmental services.

The financial statements of Worcester County, Maryland are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial principles. The following is a summary of the significant policies:

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Financial Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

The component unit column on the government-wide financial statements contains the financial data of the County’s discretely presented component unit: the Board of Education of Worcester County (the “BOE”). It is reported in a separate column to emphasize that it is legally separate from the County. Although this organization is a legally separate entity and has a separately elected governing board, it is included in the financial statements of the County because the County is financially accountable for the organization.

The BOE administers the public school system in the County. The BOE is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The BOE’s budget is subject to approval by the County Commissioners, and the BOE receives a significant portion of its operational and capital project funding from the County.

Separately issued financial statements can be obtained from the following:

Board of Education of Worcester County  
6270 Worcester Highway  
Newark, Maryland 21841

#### **B. Basis of Presentation**

The County’s basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

### FUND FINANCIAL STATEMENTS

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### C. Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the County:

#### GOVERNMENTAL FUND TYPES

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. The following are the County's major governmental funds:

General Fund – The General Fund is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

In addition, the County has the following governmental funds which the County has chosen to show as major funds due to their importance to the overall performance of the County:

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by proprietary funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, including capital lease obligations, principal, interest, and related costs.

The remaining governmental funds which are non-major consist of the following:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Department of Social Services Fund, the Local Management Board, the Casino Fund, and the Energy Service Fund are the special revenue funds of the County.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into net investment in capital assets and unrestricted net position.

Enterprise Funds – Enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The Department of Solid Waste, the Department of Liquor Control, and the Department of Water and Wastewater Services are the enterprise funds of the County. The Department of Liquor Control is a non-major enterprise fund of the County.

#### FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the County in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations.

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the County as an agent for other funds and/or other governments. The trust funds include the OPEB Trust Fund and the Public Drainage Fund (a private purpose trust fund). The agency funds include the State of Maryland Property Tax Fund, Maryland Department of Motor Vehicles Fund, Tax Sale Fund, Development Tax Fund, Performance Bond Fund, Personal Property Tax Fund, Forest Conservation Fund, Bay Restoration Fund, Berlin Room Tax Fund, Snow Hill Property Tax Fund, Snow Hill Room Tax Fund, Berlin Property Tax Fund, Pocomoke Property Tax Fund, Pocomoke Room Tax Fund, Ocean City Property Tax Fund, Ocean City Food Tax Fund, Ocean City Room Tax Fund, Special Loans Fund, Critical Areas Fund, and the Seized Funds Pending Forfeiture Fund.

#### D. Measurement Focus

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the Statement of Net Position.

#### FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

#### REVENUES – EXCHANGE AND NONEXCHANGE TRANSACTIONS

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, “available” means expected to be received within sixty days after year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: property taxes, franchise taxes, special assessments, intergovernmental revenues, interest revenue, and charges for services. Income taxes collected and held by the State at year-end on behalf of the County are also recognized as revenue. License and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash.

#### DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The County recognizes deferred outflows of resources related to advance refundings of debt (see Note 6). The County and BOE recognize deferred outflows of resources related to their pension obligations (see Note 7) and OPEB liability (Note 8) for changes in assumptions, difference between expected and actual experience and net difference between projected and actual investment earnings. These amounts are deferred and recognized as outflows of resources in the period that the amounts become available.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only on the governmental funds Balance Sheet. The governmental funds record unavailable revenues from property taxes. The County and BOE also recognize deferred inflows of resources related to their pension obligations (see Note 7) and OPEB liability (see Note 8) for changes in assumptions, net difference between projected and actual investment earnings and differences between expected

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

and actual experience. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

#### EXPENSES / EXPENDITURES

On the accrual basis, expenses are recognized in the period in which they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

#### F. Budgetary Data

Formal budgetary accounting is employed as a management control for all enterprise funds. The annual budgets for the enterprise funds are prepared in accordance with the basis of accounting utilized by those funds. The General Fund of the County has a legally adopted budget. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund is prepared on a basis consistent with the budget. The County’s budget includes appropriations of prior year fund balance as “other sources” in the current year. Also, the Statement of Activities is prepared on a basis consistent with GAAP where encumbrances are treated as assignments of fund net position and prior year fund net position is not recognized as other revenue sources. The budgets shown in the financial statements are the budget ordinances at the close of the day on June 30, 2019. All annual appropriations lapse at fiscal year-end.

The County follows these procedures in establishing the governmental funds budgetary data reflected in the financial statements:

- 1) Prior to April 30, the Chief Administrative Officer submits to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes requested expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) No later than the first Tuesday in June, the budget is legally enacted through passage of a budget resolution.
- 4) The Chief Administrative Officer is not authorized to make any transfers of budgeted amounts. The County’s legal level of budgetary control is at the County Commissioner level, such that all transfers must be approved by the County Commissioners.

The BOE follows these procedures in establishing its general fund budgetary data reflected in the financial statements:

- 1) The Superintendent and Supervisor of Business Operations formulate a proposed budget for review by the BOE during the second public hearing scheduled in February.
- 2) Prior to March 31, the BOE adopts the proposed budget. The proposed budget, exclusive of amounts relating to restricted programs, is submitted to the County Commissioners.
- 3) In mid-May, the County Commissioners and the BOE discuss the budget in public forum.
- 4) The County Commissioners approve the budget no later than the first Tuesday in June. The approved budget is subject to affirmation by the BOE within thirty days of the County Commissioners' approval.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures 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 assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### H. Cash and Short-Term Investments

For purposes of the Statement of Cash Flows, the County considers all highly liquid investments with original maturities of less than 30 days to be cash equivalents.

#### I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are reported as prepaid items using the consumption method, which records a current asset for the prepaid amount and reflects the expenditure/expense in the year in which services are consumed.

#### J. Property Taxes

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied properties. Owner occupied property taxes and small business taxes are due in two equal semiannual installments on September 30 and December 31, respectively. Property taxes are attached as an enforceable lien and are in arrears on October 1 for non-owner occupied properties and January 1 for owner occupied properties. The County bills and collects its own taxes. County property tax revenues are recognized when collected.

#### K. Inventory

Inventory held for resale is stated at the lower of cost (first in, first out) or market.

#### L. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, on the date donated. The County maintains a capitalization threshold of \$10,000. The County's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

All capital assets are depreciated, except for land, land improvements, and construction-in-progress. Building improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and building improvements	40 - 100 years
Improvements other than buildings	40 years
Machinery and equipment	5 - 20 years
Water and sewer systems	6 - 20 years
Infrastructure	5 - 50 years

#### M. Interfund Receivables / Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. The only interfund balances which remain on the government-wide Statement of Net Position are those between governmental and fiduciary activities. These amounts are reflected as "due to fiduciary funds."

#### N. Compensated Absences

Vacation benefits are earned by employees of the County based on time in service, and the rights to such benefits are vested. Sick leave is also accumulated by employees based on time in service. However, accumulated sick leave benefits do not vest and are not paid unless employees are absent due to illness, except that accumulated sick time is credited to months of service in the calculation of employees' retirement benefits. The County records vested vacation benefits as they are earned.

The entire compensated absences liability is reported on the government-wide financial statements.

#### O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and leases are recognized as liabilities on the fund financial statements when due.

#### P. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the County, or through external restrictions imposed by grantors, creditors, or laws and/or regulations of other governments.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### Q. Governmental Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that are established only for specific purposes, modified, or rescinded, as determined through formal action by the County Commissioners, by the approval of a resolution.

Assigned – Amounts that are designated by the Commissioners or management with intent to be used for specific purposes, but are neither restricted nor committed by approval of a resolution.

Unassigned – Amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. In accordance with County policy, included within unassigned fund balance are reserve amounts of \$19,893,268 for contingency and emergency conditions. These reserve amounts do not meet the definition of assigned in accordance with GASB 54 and are thus included within unassigned fund balance.

It is the County's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the enterprise funds. For the County, these revenues are charges for services for the Department of Water and Wastewater and the Department of Solid Waste and sales of liquor for the Department of Liquor Control. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

#### S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### T. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Cash and Short-Term Investments

Deposits are maintained in a variety of financial institutions.

The County is authorized to invest unexpended revenues from taxation, bond sales, lawful receipts of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purposes. The County's investment policy, in order to minimize credit and interest rate risk, allows it to invest in United States government bonds or evidence of indebtedness; or it can invest in federally insured banking institutions, which pledge United States Treasury bills, notes, or other obligations to secure such deposits, repurchase agreements, and collateralized certificates of deposit.

At June 30, 2019, Worcester County had deposits with financial institutions totaling \$11,992,226 (with a carrying value of \$8,818,379). The depository banks pledge collateral for specific accounts, which are held in the County's name. Deposits in financial institutions were fully insured or collateralized at June 30, 2019 and, therefore, have no custodial risk associated with them.

The County is a participant in the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A. An MLGIP Advisory Committee of current participants was formed to review, on a semiannual basis, the activities of the Fund and to provide suggestions to enhance the Pool. The MLGIP is rated "AAAm" by Standard and Poor's. The fair value of the Pool is the same as the value of the Pool shares. At June 30, 2019, the County had investments of \$75,671,840 with the MLGIP, which are recorded at cost, which approximates fair value.

At June 30, 2019, the County had investments of U.S. Treasuries of \$20,266,400 measured at amortized cost, which approximates fair value with an interest rate of .75% maturing on July 15, 2019.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash, fully insured by the FDIC, or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and the MLGIP. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's exposure to interest rate risk is minimal as of June 30, 2019, as its only investments within the primary government consisted of the MLGIP and U.S. Treasuries. The County's only other investments are within the Retiree Benefit Trust Fund.

The Worcester County Retiree Benefit Trust Fund is authorized to invest in securities in varying proportions when and for as long as, in the opinion of the Fund's Trustees, prevailing market and economic considerations indicate that it is in the best interest of the Fund to do so.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Cash and Short-Term Investments (continued)

Investments in the Retiree Benefit Trust Fund by type and maturity at June 30, 2019, measured at fair value, were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
MLGIP	\$ 417,983	\$ -	\$ -	\$ 417,983	2.22%
M&T Investments:					
Money Market	2,016,503	-	-	2,016,503	0.52%
Fixed Income:					
U.S. Treasury	-	1,774,854	1,727,654	3,502,508	1.125% - 3.625%
U.S. Government Agency	49,958	2,713	2,336,572	2,389,243	1.25% - 5.00%
Other Fixed Income	594,910	1,849,812	9,420,891	11,865,613	1.819% - 6.20%
Equities	33,847,249	-	-	33,847,249	N/A
<b>Total</b>	<b>\$ 36,926,603</b>	<b>\$ 3,627,379</b>	<b>\$ 13,485,117</b>	<b>\$ 54,039,099</b>	

The County uses the fair value hierarchy established by GAAP to measure the fair value of its assets. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and gives the highest priority to unadjusted, quoted market prices in active markets for identical assets (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows: Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, such as quoted market prices for similar assets or identical assets in less active markets; and Level 3 inputs are significant unobservable inputs, such as pricing models.

The County has the following recurring fair value measurements as of June 30, 2019:

- Amounts invested in MLGIP and money market funds are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments are comprised of securities priced by industry standard vendors, using significant observable inputs such as benchmark yields, reported trades, and broker/dealer quotes (Level 2 inputs), which are then allocated to position holders on a per unit basis
- Amounts invested in domestic and international equities are comprised of securities valued using quoted market prices (Level 1 inputs)

Reconciliation of cash and short-term investments as shown on the Statement of Net Position:

Petty cash	\$ 6,810
Carrying amount of deposits	8,818,379
Money market funds	2,016,503
Fixed income securities	17,757,364
Equities securities	33,847,249
MLGIP	75,671,840
US Treasuries	20,266,400
Less: cash and investments recorded within fiduciary funds	(57,992,845)
<b>Total</b>	<b>\$ 100,391,700</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Interfund Balances and Transfers

As a result of its operations, the County effects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2019, appropriate “due from/to” other funds have been established.

Interfund transactions are classified as follows:

- 1) Transfers to support the operations of other funds are recorded as “Transfers in (out) to other funds” and classified as “other financing sources (uses)” in the fund statements. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the government-wide financial statements. All payroll and some shared expenses, such as benefits, are paid out of the General Fund and then reimbursed from proprietary or other funds as applicable. Tax collections are receipted into the General Fund and reimbursed to other taxing agencies/funds monthly.
- 2) Loans between funds are classified as interfund loans receivable/payable or as advances to/from other funds in the fund statements. Interfund loans do not affect total equity, but advances to other funds are offset by a reservation of the fund equity. Loans and advances are netted as part of the reconciliation of the government-wide financial statements.

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
<b>General Fund:</b>		
Enterprise funds:		
Department of Solid Waste (shared expenses)	\$ 124,511	\$ -
Department of Liquor Control (inventory loan and shared expenses)	1,365,918	-
Department of Water and Wastewater (payroll and shared expenses)	1,251,169	-
Total due from (to) enterprise funds	2,741,598	-
Other funds:		
Energy Service Fund (funds held on behalf of)	-	(371,836)
Capital Projects Fund (reimbursement between funds)	-	(49,276)
Casino Fund (reimbursement between funds)	-	(2,677)
Public Drainage Association (June collections paid in July)	-	(969)
Total due from (to) other funds	-	(424,758)
Total General Fund due from (to) other funds	2,741,598	(424,758)
<b>Other governmental funds:</b>		
General Fund	374,513	-
Fiduciary funds	969	-
<b>Capital Projects Fund:</b>		
General Fund	49,276	-
<b>Enterprise funds:</b>		
General Fund	-	(2,741,598)
	\$ 3,166,356	\$ (3,166,356)

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Interfund Balances and Transfers (continued)

Interfund transfer activity for the year ended June 30, 2019 consisted of the following individual amounts:

	Transfers In	Transfers Out
<b>General Fund:</b>		
Capital Projects Fund	\$ 70,219	\$ 5,933,318
Debt Service Fund	-	11,632,432
Casino Fund	2,236,200	-
Department of Solid Waste	-	1,698,323
<b>Capital Projects Fund:</b>		
General Fund	5,933,318	70,219
<b>Debt Service Fund:</b>		
General Fund	11,632,432	-
<b>Casino Fund:</b>		
General Fund	-	2,236,200
<b>Department of Solid Waste:</b>		
General Fund	1,698,323	-
	<b>\$ 21,570,492</b>	<b>\$ 21,570,492</b>

Interfund transfers are for the following purposes:

- Interfund transfers from the Capital Projects Fund to the General Fund are for excess bond proceeds that are being used towards debt retirement. Transfers from the General Fund to the Capital Projects Fund are for capital projects that are not funded by specific revenue sources or through bond funds.
- Interfund transfers from the General Fund to the Debt Service Fund are for bond payments.
- The interfund transfer from the Casino Fund to the General Fund is for the bond payment for the Worcester Technical High School bond.
- The interfund transfer from the General Fund to the Department of Solid Waste is to facilitate the operations of the recycling and homeowners' convenience centers.

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Primary government:</b>				
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 15,631,638	\$ -	\$ -	\$ 15,631,638
Construction-in-progress	12,847,374	5,385,965	(7,831,022)	10,402,317
<b>Total nondepreciable capital assets</b>	<b>28,479,012</b>	<b>5,385,965</b>	<b>(7,831,022)</b>	<b>26,033,955</b>
Depreciable capital assets:				
Building and building improvements	85,095,941	-	7,506,174	92,602,115
Improvements other than buildings	13,020,988	205,116	68,466	13,294,570
Machinery and equipment	28,228,731	1,453,301	(2,510,880)	27,171,152
Infrastructure	110,993,047	-	-	110,993,047
<b>Total depreciable capital assets</b>	<b>237,338,707</b>	<b>1,658,417</b>	<b>5,063,760</b>	<b>244,060,884</b>
Less accumulated depreciation for:				
Buildings and building improvements	(30,561,750)	(2,209,904)	139,409	(32,632,245)
Improvements other than buildings	(6,825,015)	(512,736)	116,974	(7,220,777)
Machinery and equipment	(22,332,615)	(1,695,792)	2,510,879	(21,517,528)
Infrastructure	(105,735,835)	(364,218)	-	(106,100,053)
<b>Total accumulated depreciation</b>	<b>(165,455,215)</b>	<b>(4,782,650)</b>	<b>2,767,262</b>	<b>(167,470,603)</b>
<b>Total depreciable capital assets, net</b>	<b>71,883,492</b>	<b>(3,124,233)</b>	<b>7,831,022</b>	<b>76,590,281</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 100,362,504</b>	<b>\$ 2,261,732</b>	<b>\$ -</b>	<b>\$ 102,624,236</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 640,888
Public safety	1,978,101
Public works	918,205
Health and hospitals	538,434
Libraries, recreation and culture	699,862
Economic development	7,160
<b>Total depreciation expense</b>	<b>\$ 4,782,650</b>

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets (continued)**

Capital asset activity for the enterprise funds for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Business-type activities:</b>				
Nondepreciable capital assets:				
Land, land rights and improvements	\$ 1,341,872	\$ -	\$ -	\$ 1,341,872
Construction-in-progress	2,901,647	50,990	(2,671,599)	281,038
<b>Total nondepreciable capital assets</b>	<b>4,243,519</b>	<b>50,990</b>	<b>(2,671,599)</b>	<b>1,622,910</b>
Depreciable capital assets:				
Buildings and building improvements	4,948,428	-	-	4,948,428
Improvements other than buildings	34,808,159	7,391,609	-	42,199,768
Machinery and equipment	12,460,582	918,832	(702,830)	12,676,584
Water and sewer systems	107,370,953	2,024,035	2,661,278	112,056,266
<b>Total depreciable capital assets</b>	<b>159,588,122</b>	<b>10,334,476</b>	<b>1,958,448</b>	<b>171,881,046</b>
Less accumulated depreciation for:				
Buildings and building improvements	(1,935,523)	(121,788)	-	(2,057,311)
Improvements other than buildings	(27,563,666)	(627,341)	-	(28,191,007)
Machinery and equipment	(8,692,662)	(830,838)	567,830	(8,955,670)
Water and sewer systems	(41,229,275)	(3,107,023)	10,321	(44,325,977)
<b>Total accumulated depreciation</b>	<b>(79,421,126)</b>	<b>(4,686,990)</b>	<b>578,151</b>	<b>(83,529,965)</b>
<b>Total depreciable capital assets, net</b>	<b>80,166,996</b>	<b>5,647,486</b>	<b>2,536,599</b>	<b>88,351,081</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 84,410,515</b>	<b>\$ 5,698,476</b>	<b>\$ (135,000)</b>	<b>\$ 89,973,991</b>

NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt**

Changes in the County's long-term obligations for the year ended June 30, 2019 were as follows:

	Balance at June 30, 2018	Additions/ Transfers	Reductions	Balance at June 30, 2019	Amount Due in One Year
<b>Governmental activities:</b>					
General obligation bonds:					
MDE Water Quality Bond; interest at 0.4%; due semiannually to 2022	\$ 733,827	\$ -	\$ (237,802)	\$ 496,025	\$ 238,753
Consolidated Public Improvement Bonds, 2008 Series; interest at 3.25% to 5%; due semiannually to 2019	2,450,000	-	(2,450,000)	-	-
Consolidated Public Improvement Bonds, 2013 Series; interest at 3% to 4%; due semiannually to 2020	2,285,000	-	(1,120,000)	1,165,000	1,165,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 2.5% to 3.4%; due semiannually to 2033	4,595,000	-	(35,000)	4,560,000	265,000
Consolidated Public Improvement Bonds, 2014 Series; interest at 3.25% to 5%; due semiannually to 2029	33,455,000	-	(2,495,000)	30,960,000	2,570,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	8,285,280	-	(486,892)	7,798,388	503,122
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	25,050,000	-	(1,830,000)	23,220,000	4,655,000
Consolidated Public Improvement Bonds, 2019 Series; interest at 3% to 5%; due semiannually to 2034	-	34,080,000	-	34,080,000	-
Deferred bond premium, net	6,395,561	5,963,602	(870,808)	11,488,355	1,174,595
Note payable; interest at 4.09%; due monthly to 2039	451,661	-	(14,637)	437,024	15,247
	83,701,329	40,043,602	(9,540,139)	114,204,792	10,586,717
Compensated absences	2,242,251	1,561,499	(1,721,390)	2,082,360	947,000
<b>Total governmental activities</b>	<b>\$ 85,943,580</b>	<b>\$ 41,605,101</b>	<b>\$ (11,261,529)</b>	<b>\$ 116,287,152</b>	<b>\$ 11,533,717</b>

NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2018	Additions	Reductions/ Transfers	Balance at June 30, 2019	Amount Due in One Year
<b>Business-type activities:</b>					
Estimated landfill closure costs	\$ 14,858,150	\$ 686,165	\$ -	\$ 15,544,315	\$ 15,544,315
General obligation bonds:					
MDE Water Quality Bond; interest at 0.4%; due semiannually to 2022	1,483,974	-	(421,112)	1,062,862	422,797
Snug Harbor Water Quality Loan Agreement, 2007; interest at 0.04%; due semiannually to 2026	247,163	-	(31,379)	215,784	31,504
MDE Drinking Water Bond; interest at 1.1%; due semiannually to 2029	221,147	-	(19,023)	202,124	19,232
Mystic Harbour USDA note payable, 2012; interest at 2%; due quarterly to 2052	4,534,720	-	(94,095)	4,440,625	95,994
Mystic Harbour USDA note payable, 2014; interest at 2.5%; due quarterly to 2053	2,626,198	-	(46,443)	2,579,755	47,618
Mystic Harbour USDA note payable, 2016; interest at 2.25%; due quarterly to 2056	242,111	-	(4,080)	238,031	4,172
Mystic Harbour USDA note payable, 2018; interest at 2.75%; due quarterly to 2058	2,441,673	-	(34,442)	2,407,231	35,218
Consolidated Public Improvement Bonds, 2014 Series; interest at 2% to 5%; due semiannually to 2029	4,125,000	-	(305,000)	3,820,000	315,000
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	1,590,000	-	(170,000)	1,420,000	175,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	3,079,720	-	(183,108)	2,896,612	186,878
Consolidated Public Improvement Bonds, 2019 Series; interest at 3% to 5%; due semiannually to 2034	-	5,685,000	-	5,685,000	-
Deferred bond premium (costs), net	688,717	945,417	(73,748)	1,560,386	121,816
Capital lease payable	1,874,810	416,511	(565,632)	1,725,689	451,001
	38,013,383	7,733,093	(1,948,062)	43,798,414	17,450,545
Compensated absences	433,933	288,262	(327,706)	394,489	177,520
<b>Total business-type activities</b>	<b>\$ 38,447,316</b>	<b>\$ 8,021,355</b>	<b>\$ (2,275,768)</b>	<b>\$ 44,192,903</b>	<b>\$ 17,628,065</b>

## NOTES TO FINANCIAL STATEMENTS

### **Note 6. Long-Term Debt (continued)**

In August 2004, the County entered into an agreement with the Maryland Department of the Environment's State Revolving Loan Fund to finance water quality capital projects totaling up to \$12,325,000 with an interest rate of 0.4% and administrative charges of 0.5% to be repaid over the next 18 years. The loan was used to fund landfill closure projects in Pocomoke and Snow Hill (\$3,807,567) and various water and wastewater projects (\$6,742,000), including the expansion of the Ocean Pines wastewater treatment facility.

In October 2006, the County entered into an agreement with the Maryland Department of the Environment's State Revolving Loan Fund to finance water quality capital projects totaling \$584,186 with an interest rate of 0.4% to be repaid over the next 19 years. The loan was used to fund the Snug Harbor sewer extension.

In November 2008, the County issued \$35,000,000 in Consolidated Public Improvement Bonds, 2008 Series, with an average interest rate of 4.13% and maturing in 2019. Proceeds were used to finance renovations and additions to the Pocomoke High School and to pay all costs of issuance of the bond.

In September 2008, the County entered into an agreement with the Maryland Department of the Environment's State Revolving Loan Fund to finance a portion of a drinking water capital project totaling \$653,000 with an interest rate of 1.1% and administrative charges of 5% to be repaid over the next 19 years. The loan was used to fund the construction of the Newark water tower.

In June 2011, the County acquired the debt of the previous Worcester County Liquor Control Board. This included two mortgages payable, which are secured by real estate. In February 2017, the County paid off one of the mortgages, which was secured by the Department of Liquor Control's retail store located in Pocomoke City, Maryland. The remaining mortgage was assumed by the County's governmental funds as part of the transfer of the Department of Liquor Control's warehouse in Snow Hill, Maryland to the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (continued)

In July 2012, the County entered into an agreement with the United States Department of Agriculture Rural Development to finance a portion of a wastewater treatment plant project totaling \$5,062,000 with an interest rate of 2.0% to be repaid over the next five years. The maturity date was converted to over 40 years in June 2013. In November 2013, the County obtained additional funding for this project in the amount of \$2,822,000 with an interest rate of 2.5% to be repaid over the following 40 years. In June 2016, the County obtained additional funding for this project in the amount of \$250,000 with an interest rate of 2.25% to be repaid over the following 40 years. These loans were used to fund the Mystic Harbour wastewater treatment plant upgrades.

In January 2013, the County issued \$13,105,000 in Consolidated General Obligation Refunding Bonds, 2013 Series, with an average interest rate of 3.6% and maturing in 2020 and 2033. Proceeds of \$8,510,000 were used to refund the 2002 and 2004 Series bonds and \$4,595,000 was used to fund the Correctional Officers' Retirement System pension plan. The Consolidated additional proceeds were placed in escrow for the purpose of generating resources for all future debt service payments on \$8,900,000 of the refunded general obligation bonds. As a result, the associated liability has been removed. A net interest savings of \$2,441,745 will be achieved over the life of the bond.

In October 2013, the County issued \$48,300,000 in Consolidated Public Improvement Bonds, 2014 Series, with an average interest rate of 2.5% and maturing in 2029. Proceeds of \$43,000,000 were used to fund the renovation of the Snow Hill High School. The remaining \$5,300,000 was used to finance various wastewater treatment plant upgrades for the Ocean Pines service area.

In June 2015, the County issued \$12,015,000 in Consolidated Public Improvement Bonds, 2015 Series A, with an average interest rate of 3.8% and maturing in 2030. Proceeds of \$5,400,000 were used to finance the 800 MHz Emergency Services radio system upgrades; \$3,360,000 was used to finance portions of the Berlin Rubblefill cap and closure project; \$2,035,000 will be used to finance portions of the Central Landfill cell five construction project; and \$1,220,000 was used to finance the Mystic Harbour water system interconnection project and water tower painting.

In June 2015, the County issued \$26,950,000 in Consolidated Public Improvement Refunding Bonds, 2015 Series B, with an average interest rate of 4% and maturing in 2026. Proceeds were used to refund portions of the 2007 and 2008 Series bonds and pay off the loan used to fund the Ocean Pines fire protection system project. The net proceeds of \$27,760,663 (after underwriting fees and other issuance costs) were deposited in a trust fund with an escrow agent and used to purchase U.S. government securities for the purpose of generating resources for all future debt service payments on \$25,300,000 of the refunded general obligation bonds. As a result, this portion of the refunded general obligation bonds is considered defeased and the associated liability has been removed. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,460,663. A net interest savings of \$1,187,255 will be achieved over the life of the bond.

In March 2018, the County entered into an agreement with the United States Department of Agriculture Rural Development to finance the Mystic Harbour Effluent Disposal and Reuse Facilities totaling \$2,450,000 with an interest rate of 2.75% and maturing in 2058.

In April 2019, the County issued \$39,765,000 in Consolidated Public Improvement Bonds, 2019 Series, with an average interest rate of 4% and maturing in 2034. Proceeds of the bond will be used to construct, install and equip a new Showell Elementary School facility, new turf athletic field and track at Stephen Decatur High School, the Central Landfill Site Cell No. 5 construction project, and various water and wastewater infrastructure projects in the Ocean Pines and Riddle Farm Sanitary Service Areas.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (continued)

The following is a summary of the County's future annual debt service requirements on long-term obligations (excluding landfill closure costs; deferred bond premiums; notes payable; and capital lease obligations, which are reported separately):

#### Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,396,875	\$ 3,818,688	\$ 13,215,563
2021	10,209,060	3,726,609	13,935,669
2022	10,411,259	3,726,609	14,137,868
2023	10,852,098	2,796,245	13,648,343
2024	8,774,558	2,358,179	11,132,737
2025-2029	32,931,278	7,458,799	40,390,077
2030-2034	16,659,284	2,088,562	18,747,846
2035-2039	3,045,001	45,675	3,090,676
2040-2041	-	-	-
<b>Total</b>	<b>\$ 102,279,413</b>	<b>\$ 26,019,366</b>	<b>\$ 128,298,779</b>

#### Business-Type Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,333,413	\$ 775,161	\$ 2,108,574
2021	1,618,611	784,113	2,402,724
2022	1,465,016	730,931	2,195,947
2023	1,300,802	655,897	1,956,699
2024	1,353,045	599,612	1,952,657
2025-2029	6,904,400	2,203,273	9,107,673
2030-2034	4,065,789	1,166,557	5,232,346
2035-2039	1,851,392	690,428	2,541,820
2040-2044	1,515,754	518,566	2,034,320
2045-2049	1,700,742	333,578	2,034,320
2050-2054	1,481,988	133,274	1,615,262
2055-2058	377,072	20,477	397,549
<b>Total</b>	<b>\$ 24,968,024</b>	<b>\$ 8,611,867</b>	<b>\$ 33,579,891</b>

The County's future annual debt service requirements on notes payable for governmental activities at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,247	\$ 17,591	\$ 32,838
2021	15,882	16,955	32,837
2022	16,544	16,293	32,837
2023	17,234	15,604	32,838
2024	17,952	14,886	32,838
2025-2029	101,624	62,563	164,187
2030-2034	124,641	39,546	164,187
2035-2039	127,900	11,658	139,558
<b>Total</b>	<b>\$ 437,024</b>	<b>\$ 195,096</b>	<b>\$ 632,120</b>

NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

The County has entered into leases for the acquisition of various equipment, whereby ownership is transferred to the County at the end of the lease. Accordingly, the present value of future minimum lease payments and the related assets have been recorded in the appropriate fund.

The assets acquired through capital leases are as follows:

**Business-Type Activities**

Equipment	\$ 3,464,662
Less: accumulated depreciation	(1,135,026)
Total	\$ 2,329,636

The following is a summary of the future minimum lease payments on the capital leases:

**Business-Type Activities**

<u>Year Ending June 30,</u>	
2020	\$ 511,762
2021	467,070
2022	395,641
2023	343,262
2024 - 2025	166,759
	1,884,494
Less: amount representing interest	(158,805)
Present value of future minimum lease payments	\$ 1,725,689

Neither the County nor its component units are in violation of any debt agreement provisions.

**Funds Used for Debt Service and Liquidation of Compensated Absences**

Payments on bonds and notes payable that pertain to the County’s governmental activities are made by the Debt Service Fund via transfers from the General Fund. Payments on bonds and notes payable that pertain to the County’s business-type activities are made by the fund in which the liability exists. The compensated absences liability attributable to the governmental activities will be liquidated by the County’s General Fund. The compensated absences liability attributable to business-type activities will be liquidated by the fund in which the liability exists.

Under provisions of Article 41, Section 266A through 266I of the Annotated Code of Maryland, the County has participated in Industrial Revenue Bonds for various projects within the County. Neither the bonds, nor the interest thereon, constitute an indebtedness or contingent liability of the County and, accordingly, they are not included in the governmental funds.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans

The County maintains or participates in certain retirement plans which provide benefits to its employees. The various plans and plan participants are outlined below:

<u>Employees</u>	<u>Plan</u>
Board of Education	Maryland State Retirement and Pension System
Library	Maryland State Retirement and Pension System
Worcester County:	
Sheriff's office	Maryland State Retirement and Pension System
Correctional officers	Maryland State Retirement and Pension System
Board of Elections	Maryland State Retirement and Pension System
County employees and appointed officers	Maryland State Retirement and Pension System
Department of Liquor Control	Maryland State Retirement and Pension System
Elected officials	Maryland State Retirement and Pension System
Certain Department of Water and Wastewater employees	Worcester County Supplemental Pension Plan

#### Maryland State Retirement and Pension System

##### **Organization**

The State Retirement Agency (the "Agency") is the administrator of the Maryland State Retirement and Pension System (the "System"). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The State Pool consists of State agencies, boards of education, community colleges, and libraries. The Municipal Pool consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at [www.sra.maryland.gov](http://www.sra.maryland.gov).

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System ("LEOPS").

The employees participating in each plan are as follows:

<u>Employees</u>	<u>Plan</u>
Board of Education – regular employees	Employees' System
Board of Education – teachers	Teachers' System
Library	Teachers' System
Worcester County:	
Sheriff's office	LEOPS
Correctional officers	Correctional Officers' Retirement System
Board of Elections	Employees' System
County employees and appointed officers	Employees' System
Department of Liquor Control	Employees' System
Elected officials	Employees' System

The System is a cost-sharing multiple-employer defined benefit pension plan.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

#### **Basis of Accounting**

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

#### **Covered Members**

##### Teachers' Retirement and Pension Systems

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

##### Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

##### The Law Enforcement Officers' Pension System (LEOPS)

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of this System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

#### Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers', or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation ("AFC") and the actual number of years of accumulated creditable service. For individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' AFC and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%. The contribution rate changed from 4% to 6% in fiscal year 2012 and 7% in fiscal year 2013 and beyond for members of the Law Enforcement Officers' Pension System. Beginning July 1, 2013, the member contribution rate was increased for members of the Judges' Retirement System from 6% to 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the fair value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.45%).

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2018 are as follows:

#### Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years, or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum benefit of 60% (30 years of credit).

#### Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

#### Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

Members of the State Police, Judges', Law Enforcement Officers', and Local Fire and Police Systems are not eligible for early service benefits.

#### Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

#### Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems ("TRS"/"ERS") the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5%, or a two-part combination COLA depending upon the COLA election made by the member.

For Correctional Officers' Retirement System retirees, prior to July 1, 2011, unlimited compounded COLAs are effective July 1 and are applied to all benefits which have been in payment for one year. With certain exceptions, effective July 1, 1998, for Teachers', Employees', and LEOPS retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year fair value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the fair value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

#### Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.45% in 2018; 7.5% in 2017
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 (2-dimensional) mortality improvement scale.

#### Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.8%
Private Equity	13%	6.7%
Rate Sensitive	19%	1.1%
Credit Opportunity	9%	3.6%
Real Assets	14%	4.8%
Absolute Return	8%	3.2%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS

**Note 7. Pension Plans (continued)**

**Discount Rate**

A single discount rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.45%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.45%	Current Discount	1% Increase to 8.45%
County	\$ 41,863,158	\$ 29,064,712	\$ 18,442,922
Board of Education	7,310,358	5,075,428	3,220,597

**Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems**

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education (BOE) is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the BOE paid 100% of the normal cost for each teacher. The related payment for the fiscal year ending June 30, 2019, was \$2,542,199. In addition, the State of Maryland contributed \$6,609,245 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2019, the BOE reported expense of \$530,857 related to the Employees' Systems in the fund financial statements. This amount was paid directly by the County and the Board has recognized the County on-behalf payments as both a revenue and expense.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

#### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

Because the State of Maryland pays the unfunded liability for the Teachers' Systems on behalf of the BOE and Library, and the BOE pays the normal cost for the Teachers' Systems, the BOE and Library are not required to record their respective shares of the unfunded pension liability for the Teachers' Systems – the State of Maryland is required to record that liability. The BOE is required to record a liability for the Employees' Systems.

At June 30, 2019, the BOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the BOE. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 5,075,428
State's proportionate share of the net pension liability (Teachers' Systems)	70,212,964
<b>Total</b>	<b>\$ 75,288,392</b>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

- 1) Calculate the net pension liability as of June 30, 2018, for the entire System in accordance with the provision of GASB No. 67.
- 2) Determine the total contributions to the System by the State and participating governmental units ("PGUs"), inclusive of any underfunding of contributions.
- 3) Based on the number of participants at each Board of Education, calculate the difference between what each BOE would have contributed if they funded at the rate of all other participating governments and what the BOE actually contributed. The difference between what the BOE contributed and what they would have contributed if they funded at the rate of the other participating governments is then added to the total contribution to the System, to calculate the System's adjusted contribution.
- 4) Calculate, for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each PGU's contribution.
- 5) Provide each PGU its adjusted percentage of the contribution and the System's net pension liability and other related amounts as of June 30, 2018, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

**Note 7. Pension Plans (continued)**

At June 30, 2019, the County and BOE reported the following related to pensions:

	<b>BOE</b>	<b>County</b>
Employer's proportion (percentage) of the collective net pension liability	0.0241899%	0.1385248%
Employer's proportionate share of the collective net pension liability	\$ 5,075,428	\$ 29,064,712
Pension expense recognized by the employer for the year ended June 30, 2019	\$ 1,130,075	\$ 3,791,084
Deferred inflows of resources at June 30, 2018	\$ 625,391	\$ 3,521,934
Difference between expected and actual experience	133,974	767,211
Difference between projected and actual earnings	51,158	292,964
Amortization of items allowed by GASB 68	(231,814)	(1,285,559)
<b>Deferred inflows of resources at June 30, 2019</b>	<b>\$ 578,709</b>	<b>\$ 3,296,550</b>
Deferred outflows of resources at June 30, 2018	\$ 1,298,762	\$ 7,379,334
Year ended June 30, 2018 contributions	(482,366)	(2,762,289)
Changes in assumptions	30,808	176,422
Amortization of items allowed by GASB 68	(316,750)	(1,785,299)
Year ended June 30, 2019 contributions	530,857	2,863,177
<b>Deferred outflows of resources at June 30, 2019</b>	<b>\$ 1,061,311</b>	<b>\$ 5,871,345</b>
Net pension liability June 30, 2018	\$ 4,666,979	\$ 26,556,233
Change in net pension liability factored for contributions	408,449	2,508,479
<b>Net pension liability June 30, 2019</b>	<b>\$ 5,075,428</b>	<b>\$ 29,064,712</b>

The \$530,857 and \$2,863,177 of deferred outflows of resources resulting from the BOE's and the County's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.

The County's and BOE's respective deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

**County**

Year Ended June 30,	Deferred Outflows	Deferred Inflows	Net Deferred (Inflows) Outflows
2020	\$ 1,748,202	\$ (957,887)	\$ 790,315
2021	1,109,056	(942,926)	166,130
2022	65,025	(832,990)	(767,965)
2023	58,915	(445,440)	(386,525)
2024	26,970	(117,307)	(90,337)
<b>Total</b>	<b>\$ 3,008,168</b>	<b>\$ (3,296,550)</b>	<b>\$ (288,382)</b>

NOTES TO FINANCIAL STATEMENTS

**Note 7. Pension Plans (continued)**

**Board of Education**

Year Ended June 30,	Deferred Outflows	Deferred Inflows	Net Deferred (Inflows) Outflows
2020	\$ 309,453	\$ (168,407)	\$ 141,046
2021	194,593	(165,719)	28,874
2022	11,386	(146,085)	(134,699)
2023	10,310	(78,014)	(67,704)
2024	4,712	(20,484)	(15,772)
<b>Total</b>	<b>\$ 530,454</b>	<b>\$ (578,709)</b>	<b>\$ (48,255)</b>

Covered payroll refers to all compensation paid to active employees covered by the Systems.

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 32,315,861	\$ 25,130,065	\$ -
Board of Education	71,969,511	65,337,722	6,609,245
Library	1,772,473	1,428,583	230,716

Pension contributions made by the State of Maryland on behalf of the Board of Education and the Library are recognized as both revenue and expenditure.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plans (continued)

#### Worcester County Supplemental Pension Plan

Certain eligible employees of the Department of Water and Wastewater Services (the “Department”) are covered by a cost-sharing multiple-employer defined benefit pension plan administered by Nationwide Life Insurance Company. Employees who participate in the plan are required to contribute 4% of their annual compensation. Certain employees of the Town of Ocean City are also eligible to participate in the plan. Participation in the plan is split approximately 50/50 between the Department and the Town of Ocean City. The pension plan provides pension, death, and disability benefits. The normal retirement age is 65, although reduced retirement benefits may be taken at age 55 with the completion of ten years of service. Participating employees are fully vested after five years of service. Separate audited financial statements are not issued by the plan. Disclosures and related amounts are immaterial to the County’s financial statements.

### Note 8. Other Post-Employment Benefits

#### Worcester County

##### **Plan Description**

The Worcester County Post-Retirement Medical Benefits Plan (the “Plan”) is a single employer defined benefit healthcare plan administered by the County. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses, and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the following eligibility requirements of the Maryland State Retirement System to be eligible for benefits:

- 1) Age 55 and 15 years of service, or
- 2) Age 62 and 5 years of service (if hired prior to November 1, 2007), or
- 3) 30 years of service at any age

Eligible spouses and dependents desiring coverage through the eligible retiree’s plan must be enrolled in the Plan immediately prior to the retiree’s effective date of retirement. As of July 1, 2018, the date of the last actuarial valuation, the following numbers of employees were receiving or were potentially eligible to receive future benefits:

	<u>County</u>
Inactive employees or beneficiaries currently receiving benefit payments	330
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>499</u>
	<u>829</u>

Separate financial statements are not issued for the Other Post-Employment Benefit (“OPEB”) Trust.

##### **Funding Policy**

The County provides basic major medical insurance (Medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the County’s policy to pay 90% of the cost of such benefits for eligible retirees, dependents, and spouses hired prior to July 1, 2015. For employees hired between June 30, 2015 and September 30, 2017, the County will pay 80% of the cost of benefits for retirees, their spouses, and their dependents. For employees hired subsequent to October 1, 2017, the County will pay 80% of the cost of the benefits for retirees only. The County’s OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2019, the OPEB Trust paid for coverage of 330 retirees at a total cost, net of retiree contributions, of approximately \$3,005,900.

The County created the Retiree Benefit Trust of Worcester County and the Retiree Benefit Trust of the Board of Education of Worcester County (collectively the “Trust”) in order to arrange for the establishment of a reserve

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

to pay promised future health and drug benefits for employee services that have already occurred. Employee and retiree contributions are not permitted and an actuarially determined contribution is not calculated for the plan. The trustees of each Trust consist of a five-member board that has final authority in all matters pertaining to the Trust.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Internal Revenue Code Section 115.

#### Net OPEB Liability

The County's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

#### *Actuarial Assumptions*

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%	
Salary increases	4.00%, average, including inflation	
Discount rate	7.00%	
Healthcare cost trend rates	6.00% for fiscal year 2018, decreasing .11% per year to an ultimate rate of 5.00% for fiscal year 2028 and later years	
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females	

#### *Investments*

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	5%	0.5%
Fixed income investments	30%	5.7%
Equities	65%	8.1%
Total	100%	

NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (continued)**

*Discount rate*

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the County's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The periods of projected benefit payments were fiscal years 2018 through 2028.

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

The County's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/2018	\$ 80,972,130	\$ 49,305,082	\$ 31,667,048
Changes for the year:			
Service cost	1,636,060	-	1,636,060
Interest cost	5,523,505	-	5,523,505
Differences between expected and actual experience	-	(771,893)	771,893
Changes of assumptions and other inputs	-	-	-
Contributions - employer	-	5,285,500	(5,285,500)
Contributions - non-employer contributing entities	-	322,821	(322,821)
Net investment income	-	2,955,419	(2,955,419)
Benefit payments	(3,005,953)	(3,005,953)	-
Administrative expense	-	(3,399)	3,399
Other changes	142,763	771,893	(629,130)
Net changes	<u>4,296,375</u>	<u>5,554,388</u>	<u>(1,258,013)</u>
Balances at 6/30/2019	<u>\$ 85,268,505</u>	<u>\$ 54,859,470</u>	<u>\$ 30,409,035</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

#### Funding Status and Funding Progress

As of July 1, 2018, the most recent actuarial valuation date, with a roll forward to June 30, 2019, the total OPEB liability for benefits was \$85,268,505, with \$54,859,470 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$30,409,036. The covered employee payroll was \$25,130,065, and the ratio of the net OPEB liability to the covered payroll was 121%.

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

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The County selected a June 30, 2019 measurement date for fiscal year-end 2019. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

#### Sensitivity of the Total and Net OPEB Liability

The following table presents the County's total and net OPEB liability using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate		Net OPEB Liability
1% decrease	6.00%	\$	41,862,885
Current discount Rate	7.00%	\$	30,409,035
1% increase	8.00%	\$	21,014,459

The following table presents the County's net OPEB liability using the health care trend rate of 6%, decreasing to 5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate		Net OPEB Liability
1% decrease	5% decreasing to 4%	\$	20,100,634
Current discount Rate	6% decreasing to 5%	\$	30,409,035
1% increase	7% decreasing to 6%	\$	43,161,667

NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (continued)**

**OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB**

For the fiscal year ended June 30, 2019, the County recognized an OPEB expense of \$5,582,985 on the government-wide statements. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 669,245
Changes of assumptions	2,331,029	699,180
Net difference between projected and actual earnings	617,515	24,621
Total	\$ 2,948,544	\$ 1,393,046

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	Outflows	Inflows	Net Deferred (Inflows) Outflows
2020	\$ 606,791	\$ 275,600	\$ 331,191
2021	606,791	275,600	331,191
2022	606,791	275,600	331,191
2023	606,791	267,393	339,398
2024	452,412	267,393	185,019
2025	68,968	31,460	37,508
Total	\$ 2,948,544	\$ 1,393,046	\$ 1,555,498

Changes in assumptions in the most recent actuarial valuation included the health care trend rate (a decrease from 6.50% to 6.00%) and actuarial cost method changes, the starting per capita costs were updated using most recent premiums, and the health care trend rates were reset based on recent experience.

Board of Education of Worcester County

**Plan Description and benefits provided**

The Worcester County Public Schools Post-Retirement Medical Benefits Plan (the “Plan”) is a single employer defined benefit healthcare plan administered by the Board. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system described below:

For members hired before July 1, 2011, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service, regardless of age.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

For members hired after July 1, 2011, the earliest retirement eligibility is the earlier of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service,
- Age 60 with 15 years of service

In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement.

As of July 1, 2018, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	712
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>961</u>
	<u>1,673</u>

### Funding Policy

The Board provides basic major medical insurance (medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees, dependents and spouses hired prior to July 1, 2015, 80% for retirees, dependents, and spouses for July 1, 2015 to September 30, 2017 hires, and 80% for employees hired after October 1, 2017. The Board's OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2019, the OPEB Trust paid for coverage of approximately 712 retirees at a total cost of approximately \$7,100,000. For the year ended June 30, 2019, Worcester County Commissioners funded the trust in the amount of \$5,385,500 to fund future benefits.

On behalf of the Board, the Worcester County Commissioners created the Retiree Benefit Trust of the Board of Education of Worcester County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and drug benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as "contributions in relation to the actuarially determined contribution" within the meaning of GASB Statement Number 75 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statement 75.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The trustees of the Trust consist of a five member board who have final authority in all matters pertaining to the Trust.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

### Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

#### *Actuarial Assumptions*

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 %
Salary increases	4.00 % , average, including inflation
Discount rate	2.986 %
Healthcare cost trend rates	6.00 % for fiscal year 2018, decreasing .11 % per year to an ultimate rate of 5.00 % for fiscal year 2028 and later years
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females

#### *Investments*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	5 %	0.5 %
Fixed income investments	30 %	5.7 %
Equities	65 %	8.1 %
Total	<u>100 %</u>	

#### *Discount rate*

The discount rate used to measure the total OPEB liability was 2.814% for Fiscal Year 2019. This rate was changed from 2.986% used in Fiscal Year 2018. This is the single equivalent discount rate which represents a blended interest rate based on a long-term rate of return for those payments prior to the Crossover date and a 20 year high grade municipal bond index for all remaining payments after such a crossover date. The rates used are a long-term rate of return of 7.00% and the S & P Municipal Bond 20 year High-Grade rate index as of June 29, 2019 of 2.79%. The projection of cash flows used to determine the discount rate assumed that the Board's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The periods of projected benefit payments were fiscal years 2019 through 2029.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

The Board's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2019:

	Increase (Decrease)		
Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	
Balance at 6/30/2018	\$ 337,164,602	\$ 19,061,248	\$ 318,103,354
Changes for the year:			
Service cost	15,559,700	-	15,559,700
Interest cost	9,957,831	-	9,957,831
Differences between expected and actual experience	-	(221,355)	221,355
Changes of assumptions and other inputs	10,366,756	-	10,366,756
Contributions - employer	-	5,385,500	(5,385,500)
Net investment income	-	1,075,295	(1,075,295)
Benefit payments	(6,457,472)	(6,457,472)	-
Administrative expense	-	(3,400)	3,400
Other changes	344,814	221,355	123,459
Net changes	29,771,629	(77)	29,771,706
Balances at 6/30/2018	\$ 366,936,231	\$ 19,061,171	\$ 347,875,060

### Funding Status and Funding Progress

As of July 1, 2018, the most recent actuarial valuation date, with a roll forward to June 30, 2019, the total OPEB liability for benefits was \$366,936,231, with \$19,061,171 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$347,875,060. The covered employee payroll was \$65,337,722, and the ratio of the net OPEB liability to the covered payroll was 532.43%.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The Board selected a June 30, 2019 measurement date for fiscal year-end 2019. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

#### Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total and net OPEB liability using the discount rate of 2.814%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net OPEB Liability
1% decrease	1.814%	\$ 417,300,938
Current discount Rate	2.814%	\$ 347,875,060
1% increase	3.814%	\$ 285,606,938

The following table presents the Board's net OPEB liability using the health care trend rate of 6%, decreasing to 5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Board's Net OPEB Liability
1% decrease	5% decreasing to 4%	\$ 285,606,938
Current discount Rate	6% decreasing to 5%	\$ 347,875,060
1% increase	7% decreasing to 6%	\$ 429,801,848

#### OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB

For the fiscal year ended June 30, 2019, the Board recognized an OPEB expense of \$31,996,224 on the government-wide statements. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,184,998
Changes of assumptions	13,587,008	4,786,425
Net difference between projected and actual earnings on OPEB Plan Investments	177,084	17,187
Total	\$ 13,764,092	\$ 15,988,610

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-Employment Benefits (continued)

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	Outflows	Inflows	Net Deferred (Inflows) Outflows
2020	\$ 2,694,836	\$ 3,413,183	\$ (718,347)
2021	2,694,836	3,413,183	(718,347)
2022	2,694,836	3,413,183	(718,347)
2023	2,694,836	3,407,454	(712,618)
2024	2,346,632	2,341,607	5,025
2025	638,116	-	638,116
Total	\$ 13,764,092	\$ 15,988,610	\$ (2,224,518)

Changes in assumptions in the most recent actuarial valuation included the discount rate (a decrease from 2.986% to 2.814%).

### Note 9. Volunteer Firemen Pension Plan Length of Service Award Program (LOSAP)

The County contributes to the LOSAP for the chartered fire and ambulance company's personnel in Worcester County, a single-employer noncontributory trust fund. Any person who is certified as an active member with any Worcester County volunteer fire or approved ambulance company is eligible to participate. Active members who attain age 60 and have completed 25 years of certified volunteer service shall receive \$50 per month, for a maximum benefit of 120 months for a total award of \$6,000. Volunteers qualified for participation may participate in either a monthly award plan or annual contribution award plan and award payments cease upon death. The LOSAP also provides for death and disability benefits to participating volunteers. Benefit provisions and all other requirements are established by the chartered fire and ambulance companies and approved by the Commissioners as authorized by the State's legislative assembly. Though not mandatory, the County currently contributes all the amounts necessary to fund the payments of benefits under the LOSAP. The plan liability is immaterial and therefore not included in the financial statements.

### Note 10. Deferred Compensation

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible full-time County employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency; as approved by the County Commissioners.

The County funds all compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by Security Benefits.

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 plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

## NOTES TO FINANCIAL STATEMENTS

### **Note 11. Commitments and Contingencies**

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

The County regularly enters into contracts for services during the normal course of operations. The contracts often extend over fiscal years.

#### *Enterprise Funds*

The County entered into a contract with Chesapeake Turf, LLC on September 16, 2019 in the amount of \$414,330 for the replacement of the Riddle Farm wastewater treatment plant flow equalization tank. Total project costs are estimated to be \$450,000 and will be funded from \$250,000 in 2019 bonds and \$200,000 in an inter-governmental loan to be repaid through Riddle Farm EDU sales.

#### *General Fund*

On September 4th, 2019 the County entered into an agreement with Cadence Group to update the Worcester County records retention schedules and improve records policy compliance and practices throughout the County agencies up to \$39,620.

The County approved an agreement on September 11th, 2019 with Chesapeake Paving and Sealing Inc. for paving/roads work to approximately 11.45 miles of roads at various location in Worcester County for a total estimated cost of \$916,618.

On September 25th, 2019 the County entered into an agreement with Beauchamp Construction for \$31,890 for the demolition and disposal of two structures in Stockton pursuant to a nuisance abatement order.

In November 2019 the County entered into an agreement with Sinepuxent Group LLC for an amount not to exceed \$100,000 to provide Science, Technology, Engineering, and Mathematics (STEM) oriented summer day camps for up to 40 students and provide up to 40 high school and university students STEM related paid summer internships as well as professional development activities and mentoring.

The County entered into an agreement for \$29,890 with Bates Moving & Storage Company, Inc. on November 12th, 2019 for moving out and back all items at the Ocean Pines Branch of the Worcester County Library to facilitate the replacement of the carpet.

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Assigned Fund Balance

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for the year ended June 30, 2019 are summarized as follows:

Assigned for:

Animal control building (new roof)	\$ 50,000
Bayside Road bridge replacement	1,362,805
Berlin Health Department storage and parking lot	220,000
Berlin Library project	45,179
Bishopville homeowner convenience center	300,000
Board of Education admin building	150,000
Board of Education PMS evening beta program	50,000
Board of Education PMS roof replacement design	117,000
Board of Education building automation upgrades for PMS and SDMS	51,900
Board of Education HVAC replacements (PMS, SHMS, CCSS)	750,000
Board of Education SDMS design fees	131,055
Board of Education school security	83,494
Building HVAC automation system controls	200,000
County building repairs and improvements	425,000
Courthouse (chiller, carpet/flooring replacement)	250,000
Department of Social Services	100,000
Elections building improvement 100 Belt Street	100,000
Emergency Services radio system enhancement	26,487
Emergency Services tower shelters and UPS units	120,000
Encumbrances	1,873,755
Broadband project	200,000
Financial tax software/docuware/servers	150,000
Fire tower building	50,000
Fire Training Center improvements	100,000
Government Center (ventilation and building repairs)	355,000
Government Center/911 Center	300,000
Isle of Wight building improvements	200,000
Jail building improvements and repairs	1,500,000
Nextgen 911	200,000
North End Public Works building	100,000
Ocean City inlet dredging project	500,000
Ocean Pines Library improvements	79,383
Outdoor sports field complex study	400,000
Parking lot improvements	339,634
Parking lot resurfacing/upgrades	200,000
Pearl Street building repairs	240,500

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Assigned Fund Balance (continued)

Pocomoke Health Department building upgrades	500,000
Pocomoke Library building improvements	500,000
Public Landing marina (boat slips with amenities)	190,000
Public Works building expansion	50,000
Recreation Center building improvements	300,000
Reserve fund transfer	1,000,000
Roads Department paving projects	600,000
Roads Department dump truck w/snow plow	132,800
Route 50 service road (future road design)	277,000
Snow Hill Senior Center	300,000
Snow Hill transmitter building replacement	400,000
Strategic plan - building infrastructure	100,000
Tropospheric ducting engineering project	100,000
Tyson feed mill track mobile	10,000
West Ocean City commerical harbor bulkhead	700,000
Wor-Wic applied technology building	145,784
<hr/>	
Total	\$ 16,626,776

The nonmajor governmental fund have assigned fund balances as follows:

- The Department of Social Services and the Local Management Board assigned funds are being held by those entities to provide services as directed by the entities for the benefit of the citizens of the County.
- Casino assigned funds originate from local impact grants which shall be used for improvements primarily in the communities in immediate proximity to the video lottery facilities. Currently, Casino funds are being used for the debt service payment on the Worcester Technical High School bond.
- Energy Service assigned funds are being held for energy conservation related initiatives.

### Note 13. Landfill Closure and Post-closure Care Costs

State and federal laws and regulations require the County to place a final cover on Worcester County landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for 30 years after closure.

The County has reported \$15,544,315 in estimated landfill closure and post-closure care liabilities at June 30, 2019 in the enterprise fund related to the Central Landfill. Accrual of closure and post-closure care costs have been recognized based on estimated capacity used to date.

The Central Landfill facility in Newark is the only active landfill in the County. The state-of-the-art facility is situated on a 724.5 acre parcel located approximately 3.5 miles northeast of the Town of Snow Hill. The facility, which began operations in 1990, has a permitted life span of 40 years and includes eight landfill cells. As of June 30, 2019, cells #2 and #3 are full. The County received approval from the Maryland Department of the Environment to begin mining the existing cell #1 instead of closing or “capping” it in order to reclaim as much as 40% of the airspace for future use. If successful, the mining operation will likely continue to the other closed or “filled” cells in order to reclaim landfill capacity and extend the overall life of the facility. The County began mining of cell #1 during fiscal year 2010, but suspended the mining operation during fiscal years

## NOTES TO FINANCIAL STATEMENTS

### **Note 13. Landfill Closure and Post-closure Care Costs (continued)**

2014 through 2018 to avoid filling up cell #4 before cell #5 was complete. The County completed cell #5 in January 2019.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests as of June 30, 2018. The County expects to satisfy these requirements as of June 30, 2019 using the same criteria.

Estimated closure and post-closure care costs may change in the future due to inflation and changes in technology, laws, and/or regulations.

### **Note 14. Risk Management**

The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For general, property, excess, and environmental liability coverage, the County is a member of the Maryland Local Government Insurance Trust ("LGIT"). This is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

LGIT subscribers share the risk among participants of the pools. As a result, the County's annual premium requirements are affected by the loss experience of the various insurance pools in which it participates. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

The primary government is exposed to various risks of loss related 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, including workers' compensation, employee health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage limits for the three most recent fiscal years.

### **Note 15. On-Behalf Payments**

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the Library. The amount recognized as revenue and expenditures for the year ended June 30, 2019 was \$230,716 for the Library, which is included in miscellaneous revenues and libraries, recreation, parks and culture expenditures, respectively.

### **Note 16. Component Units**

#### **The Board of Education of Worcester County**

##### Cash and Short-Term Investments

At June 30, 2019, the Board of Education (BOE) had deposits of \$5,384,534 (carrying value \$5,996,027), which were either fully insured or collateralized by securities held in the name of the BOE.

NOTES TO FINANCIAL STATEMENTS

**Note 16. Component Units (continued)**

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction-in-progress	2,300,917	10,966,544	(10,676)	13,256,785
<b>Total nondepreciable capital assets</b>	<b>4,187,696</b>	<b>10,966,544</b>	<b>(10,676)</b>	<b>15,143,564</b>
Depreciable capital assets:				
Building and building improvements	225,805,520	310,805	-	226,116,325
Machinery and equipment	4,295,707	112,300	(104,954)	4,303,053
<b>Total depreciable assets</b>	<b>230,101,227</b>	<b>423,105</b>	<b>(104,954)</b>	<b>230,419,378</b>
Less accumulated depreciation for:				
Buildings and building improvements	(67,309,565)	(3,744,318)	-	(71,053,883)
Machinery and equipment	(3,383,380)	(176,183)	102,206	(3,457,357)
<b>Total accumulated depreciation</b>	<b>(70,692,945)</b>	<b>(3,920,501)</b>	<b>102,206</b>	<b>(74,511,240)</b>
<b>Total depreciable capital assets, net</b>	<b>159,408,282</b>	<b>(3,497,396)</b>	<b>(2,748)</b>	<b>155,908,138</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 163,595,978</b>	<b>\$ 7,469,148</b>	<b>\$ (13,424)</b>	<b>\$ 171,051,702</b>
<b>Business-type activities:</b>				
Depreciable capital assets:				
Machinery, equipment and vehicles	\$ 265,957	\$ -	\$ (10,461)	\$ 255,496
Less accumulated depreciation for:				
Machinery, equipment and vehicles	(241,434)	(4,503)	10,461	(235,476)
<b>Total depreciable capital assets, net</b>	<b>24,523</b>	<b>(4,503)</b>	<b>-</b>	<b>20,020</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 24,523</b>	<b>\$ (4,503)</b>	<b>\$ -</b>	<b>\$ 20,020</b>

Long-Term Debt

The following is a summary of long-term debt transactions of the BOE for the year ended June 30, 2019:

## NOTES TO FINANCIAL STATEMENTS

### Note 16. Component Units (continued)

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Net OPEB liability	\$ 318,103,354	\$ 29,771,706	\$ -	\$ 347,875,060
Net pension liability	4,666,979	408,449	-	5,075,428
Retirement incentive and severance	152,857	439,444	(152,857)	439,444
Long-term portion of accrued compensated absences	284,384	75,959	(42,193)	318,150
	<u>\$ 323,207,574</u>	<u>\$ 30,695,558</u>	<u>\$ (195,050)</u>	<u>\$ 353,708,082</u>

#### Post-Retirement Benefits

The BOE currently funds 90% of the healthcare insurance premiums for retirees hired prior to July 1, 2015 (and 80% of the premiums for retirees hired subsequent to June 30, 2015) who have accumulated the required number of years of service with the BOE prior to their retirement. The BOE's OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2019, the BOE's OPEB Trust paid for coverage of approximately 712 retirees at a total cost of approximately \$7,100,000. For the year ended June 30, 2019, the County contributed \$5,385,500 to the BOE's OPEB Trust to fund the ARC and the pay-as-you-go post-retirement healthcare benefits.

#### Commitments and Contingencies

The BOE regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The BOE entered into a contract for the construction of Showell Elementary School. The contract is for approximately \$48.5 million of which approximately \$12.3 million had been completed by June 30, 2019. The contract is being funded by Worcester County and the State of Maryland.

The BOE receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the BOE.

#### Risk Management

The BOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In July 1995, the BOE 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 BOE pays an annual premium to the Fund calculated based on projected payroll. The agreement with 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 funds, this deficit may be made up from additional assessments of boards participating in the deficit Fund. The BOE continues to carry commercial insurance for all other risks of loss, including general liability, employee health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage limits for the three most recent fiscal years.

## NOTES TO FINANCIAL STATEMENTS

### **Note 16. Component Units (continued)**

#### On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the BOE. The amount recognized as revenue and expenditures for the year ended June 30, 2019 was \$6,609,245 for the BOE, which is included in intergovernmental revenues and education expenditures, respectively, in the BOE's separately issued financial statements.

### **Note 17. Required Fund Disclosures**

The General Fund had an excess of actual expenditures over budgeted expenditures of \$2,794,013 for the year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND  
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
(as of measurement date)

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position (in \$000's) D	Plan's Total Pension Liability (in \$000's) E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
June 30, 2014	0.1160133%	20,588,571	27,965,651	73.62%	45,339,988	63,086,719	71.87%
June 30, 2015	0.1316800%	27,365,360	23,419,512	116.85%	45,789,840	66,571,552	68.78%
June 30, 2016	0.1366138%	32,232,695	23,922,358	134.74%	45,365,927	68,959,954	65.79%
June 30, 2017	0.1228108%	26,556,233	23,537,007	112.83%	48,987,184	70,610,885	69.38%
June 30, 2018	0.1385248%	29,064,712	24,859,390	116.92%	51,827,233	72,808,833	71.18%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

WORCESTER COUNTY, MARYLAND  
 MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 June 30, 2019

SCHEDULE OF CONTRIBUTIONS  
 (as of fiscal year)

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	\$ 2,703,529	\$ 2,703,529	-	\$ 23,419,512	11.54%
2016	2,775,459	2,775,459	-	23,922,358	11.60%
2017	2,661,350	2,661,350	-	23,537,007	11.31%
2018	2,499,618	2,499,618	-	24,859,390	10.06%
2019	2,762,289	2,762,289	-	25,130,065	10.99%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

WORCESTER COUNTY, MARYLAND  
 MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 June 30, 2019  
 ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for the State Systems, 23 years for LEOPS Muni, and 30 years for CORS Muni. For ECS Numi: 100 years phasing down to 20 years over 6 years, 100 years remaining.
Asset Valuation Method	Five-year smoothed market; 20% collar
Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2014 (2-dimensional) mortality improvement scale.

WORCESTER COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 30,	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Total OPEB liability</b>										
Service cost									\$ 1,608,612	\$ 1,636,060
Interest									5,528,825	5,523,505
Differences between expected and actual experience									(930,789)	-
Changes of assumptions									(972,422)	-
Benefit payments									(2,753,006)	(3,005,953)
Other charges									3,031,292	142,763
<b>Net change in OPEB liability</b>									5,512,512	4,296,375
<b>Total OPEB liability - beginning</b>									75,459,618	80,972,130
<b>Total OPEB liability - ending (a)</b>									<u>\$ 80,972,130</u>	<u>\$ 85,268,505</u>
<b>Plan fiduciary net position</b>										
Differences between expected and actual experience									41,035	(771,893)
Contributions - employer									2,500,000	5,285,500
Contributions - non-employer contributing entities									487,541	322,821
Net investment income									3,330,424	2,955,419
Benefit payments									(2,753,006)	(3,005,953)
Administrative expenses									(1,150)	(3,400)
Other charges									(41,035)	771,893
<b>Net change in plan fiduciary net position</b>									3,563,809	5,554,387
<b>Plan fiduciary net position - beginning</b>									45,741,273	49,305,082
<b>Plan fiduciary net position - ending (b)</b>									<u>\$ 49,305,082</u>	<u>\$ 54,859,469</u>
<b>County's net OPEB liability - ending (a) - (b)</b>									\$ 31,667,048	\$ 30,409,036
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>									60.89%	64.34%
<b>Covered employee payroll</b>									\$ 25,501,214	\$ 27,050,408
<b>County's net OPEB liability as a percentage of covered employee payroll</b>									124%	112%
<b>Expected Average Remaining Service Years of All Participants</b>									7.12	6.38

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

WORCESTER COUNTY, MARYLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 June 30, 2019

SCHEDULE OF INVESTMENT RETURNS

	<b>Fiscal Year</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Annual money-weighted rate of return, net of investment									7.01%	5.67%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Note 1. Pensions

#### Changes in Benefit Terms

There were no benefit changes during the year.

#### Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption change in the 2018 valuation:

- Inflation assumption changed from 2.90% to 2.60% for general and from 3.15% to 3.10% for wage
- Salary increase assumption changed from 3.15% - 9.15% to 3.10% - 9.10%, including inflation
- Investment rate of return changed from 7.50% to 7.45%

#### Methods and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for the State Systems, 23 years for LEOPS Muni, and 30 years for CORS Muni. For ECS Numi: 100 years phasing down to 20 years over 6 years, 100 years remaining.
Asset Valuation Method	Five-year smoothed market; 20% collar
Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2014 (2-dimensional) mortality improvement scale.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Note 2. Other Post Employment Benefits**

**Methods and assumptions used to determine contribution rates:**

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	5 years
Inflation	3.00%
Healthcare cost trend rates	6.00% for fiscal year 2018, decreasing .11% per year to an ultimate rate of 5.00% for fiscal year 2028 and later years
Salary increases	4.00%, average, including inflation
Investment rate of return	7.00%
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females

Retirement rates

<u>Age</u>	<u>County</u>
55 - 59	0%
60 - 61	5%
62 -64	30%
65	15%
66 - 69	35%
70+	100%

Withdrawal rates

Table T-4 from the Pension Actuary's Handbook

<u>Age</u>	<u>County</u>
20	5.48%
25	5.34%
30	5.11%
35	4.75%
40	4.29%
45	3.78%
50	2.90%
55	1.82%
60	1.72%

Retiree contributions

	<u>Pre-Medicare</u>		<u>Medicare Eligible</u>	
	<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
Pre 7/1/15 hires (10%/10%)	\$ 807	\$ 1,393	\$ 719	\$ 719
7/1/15 & Subsequent hires (20%/100%)	1,613	13,934	1,438	7,190

OTHER SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Real and personal property:				
Real property:				
Full-year levy	\$ 129,281,998	\$ 129,281,998	\$ 129,747,928	\$ 465,930
Semi-year levy	208,750	208,750	289,144	80,394
Personal property	353,186	353,186	327,792	(25,394)
Corporations and utilities	7,411,578	7,411,578	7,567,474	155,896
Net additions and abatements	(358,200)	(358,200)	(188,445)	169,755
	<hr/> 136,897,312	<hr/> 136,897,312	<hr/> 137,743,893	<hr/> 846,581
Interest on delinquent taxes	690,000	690,000	1,230,104	540,104
Discounts allowed on taxes	(440,000)	(440,000)	(458,794)	(18,794)
Tax credits for assessment increase	(1,326,247)	(1,326,247)	(1,300,589)	25,658
	<hr/>	<hr/>	<hr/>	<hr/>
Total real and personal property	135,821,065	135,821,065	137,214,614	1,393,549
Local income tax	23,000,000	23,000,000	23,172,123	172,123
Other local taxes:				
Room tax and admin fee	1,060,000	1,060,000	1,043,596	(16,404)
Admission and amusement	500,000	500,000	636,731	136,731
Recordation	6,500,000	6,500,000	7,116,381	616,381
Trailer park excise tax	100,000	100,000	479,218	379,218
Transfer tax	3,750,000	3,750,000	4,631,429	881,429
Food tax admin fee	75,000	75,000	79,305	4,305
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total taxes</b>	<hr/> <b>170,806,065</b>	<hr/> <b>170,806,065</b>	<hr/> <b>174,373,397</b>	<hr/> <b>3,567,332</b>
<b>Licenses and permits:</b>				
Business:				
Liquor licenses	840,000	840,000	823,506	(16,494)
Vending machine licenses	100,000	100,000	65,670	(34,330)
Traders' licenses	90,000	90,000	107,531	17,531
Occupational licenses	5,700	5,700	5,045	(655)
Bingo permits	16,500	16,500	18,669	2,169
Tourist and trailer park permits	8,000	8,000	12,475	4,475

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Licenses and permits, continued:</b>				
Other:				
Building permits	\$ 250,000	\$ 250,000	\$ 252,330	\$ 2,330
Electrical permits	18,650	18,650	15,300	(3,350)
Marriage licenses	24,000	24,000	23,040	(960)
Commercial plumbing plan review	2,500	2,500	1,875	(625)
Civil ceremony licenses	1,500	1,500	1,270	(230)
Shoreline construction permits	15,000	15,000	13,750	(1,250)
Timber harvest permits	2,500	2,500	3,700	1,200
Sediment erosion control/SWM/permits	18,000	18,000	29,171	11,171
Environmental permits	51,825	51,825	52,315	490
Forestry conservation review fees	5,000	5,000	10,296	5,296
Health permits	383,532	383,532	396,707	13,175
Raffle permits	1,800	1,800	1,700	(100)
Plumbing permits	45,000	45,000	58,405	13,405
Gas permits	18,000	18,000	26,240	8,240
Planning and zoning permits	47,000	47,000	40,793	(6,207)
<b>Total licenses and permits</b>	<b>1,944,507</b>	<b>1,944,507</b>	<b>1,959,788</b>	<b>15,281</b>
<b>Intergovernmental:</b>				
Federal grants:				
Payments in lieu of taxes	20,501	20,501	20,305	(196)
CDBG housing rehab grant	150,000	150,000	199,079	49,079
CDBG federal grant	-	-	36,485	36,485
Homeland security grant	154,890	154,890	198,725	43,835
Bulletproof vest program	4,000	4,000	-	(4,000)
Emergency shelter grant	-	-	119,900	119,900
MDE beach monitoring grant	3,261	3,261	3,261	-
Traffic safety - State Highway Administration	720	720	2,438	1,718
Library federal grant	-	-	73,011	73,011
Child support enforcement	7,000	7,000	18,592	11,592
US Fish and Wildlife Service	8,000	8,000	7,500	(500)
State grants:				
Highway user revenue	521,020	521,020	535,560	14,540
911 State fees	450,000	450,000	438,612	(11,388)
MD AOC Security grant	-	-	96,668	96,668
Maryland State Police grants	-	-	2,352	2,352
Police protection	153,146	153,146	169,948	16,802
State park revenues	425,000	425,000	452,779	27,779
Open space program - parks	676,751	676,751	84,684	(592,067)
MEIMSS grant - emergency services	-	-	3,000	3,000
Library aid	159,476	159,476	159,476	-
Other housing rehab income	4,000	4,000	-	(4,000)
Share of State forest land	65,000	65,000	91,794	26,794
Eastern Shore library grant	75,000	75,000	75,000	-
Other grants	560,063	560,063	23,228	(536,835)

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Intergovernmental, continued:</b>				
State grants, continued:				
Family support services MACRO grant	\$ 13,800	\$ 13,800	\$ -	\$ (13,800)
Coastal zone grant	-	-	11,000	11,000
Sheriff - sex offender grant	9,444	9,444	26,921	17,477
Sheriff - health tobacco enforcement	-	-	14,245	14,245
Sheriff - health underage drinking	2,000	2,000	16,000	14,000
Heroin coordinator	65,433	65,433	50,615	(14,818)
Senator Amoss grant	381,886	381,886	373,789	(8,097)
Tourism	102,931	102,931	140,607	37,676
State aid for bridges	-	-	12,505	12,505
Critical area grant	13,000	13,000	13,000	-
MALPF administrative fees	5,000	5,000	-	(5,000)
DHCD housing administration fees	7,000	7,000	7,389	389
Conservation easement admin fee	20,000	20,000	14,206	(5,794)
Conservation easement reimbursements	60,000	60,000	32,255	(27,745)
Water system monitoring	17,560	17,560	25,594	8,034
Trial jury reimbursement	54,000	54,000	47,010	(6,990)
Family support grant	184,820	184,820	230,066	45,246
Drug court coordinator	218,109	218,109	229,355	11,246
Waterway improvement grants	23,584	23,584	125,836	102,252
Septic system BRF grants	240,000	240,000	74,322	(165,678)
CREP Program	5,000	5,000	-	(5,000)
Intern Program grant	10,000	10,000	10,000	-
Dental program reimbursement	22,220	22,220	18,662	(3,558)
Bay Restoration operations and maintenance	10,000	10,000	6,001	(3,999)
MD Department of Aging grant	-	-	46,403	46,403
911 systems grant	7,000	7,000	600	(6,400)
<b>Total intergovernmental</b>	<b>4,910,615</b>	<b>4,910,615</b>	<b>4,338,778</b>	<b>(571,837)</b>
<b>Service charges and fees:</b>				
Liquor advertising fees	2,500	2,500	1,380	(1,120)
Donation sponsorship program	6,450	6,450	-	(6,450)
Sheriff fees	81,500	81,500	95,810	14,310
Sales of publications and copies	2,050	2,050	2,260	210
Library use charges	28,000	28,000	28,757	757
Library Erate reimbursements	8,500	8,500	1,655	(6,845)
Mosquito control charges	50,000	50,000	51,176	1,176
EDU transfer fee	2,000	2,000	3,600	1,600
Casino security	15,000	15,000	-	(15,000)
Seacrets security	97,696	97,696	124,350	26,654
Purnell Properties security	-	-	19,800	19,800

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Service charges and fees, continued:</b>				
Vehicle tag fees	\$ 4,500	\$ 4,500	\$ 3,062	\$ (1,438)
Salary reimbursement	500	500	511	11
Housing program fees	-	-	13,581	13,581
Critical area review fees	27,000	27,000	39,203	12,203
Tourism programs and events	3,000	3,000	14,638	11,638
Shared facility fees	500	500	1,000	500
Stormwater management review fees	75,000	75,000	76,592	1,592
Tourism co-op advertising	1,500	1,500	-	(1,500)
Economic development program and events	3,000	3,000	-	(3,000)
Roads department fees	35,000	35,000	65,936	30,936
Bay restoration administration fees	21,000	21,000	23,184	2,184
Shoreline Commission application fees	12,000	12,000	11,925	(75)
Park fees	34,640	34,640	31,681	(2,959)
Concession stand fees	50,000	50,000	52,219	2,219
Environmental fees	16,400	16,400	19,310	2,910
Recreation fees	176,400	176,400	210,156	33,756
Solar renewable energy credits	50	50	1,076	1,026
Water and sewer plan amendment fees	2,000	2,000	1,500	(500)
Circuit Court bar library	5,000	5,000	1,802	(3,198)
Firearms training center fees	3,000	3,000	14,371	11,371
Payments for jail use	5,325,000	5,325,000	5,253,092	(71,908)
Fire inspection fees	140,000	140,000	144,391	4,391
Family services legal fees	1,500	1,500	3,100	1,600
Community service fees	65,000	65,000	62,511	(2,489)
Public Works	10,000	10,000	36,165	26,165
Franchise fees	22,500	22,500	21,588	(912)
Special Events fees	14,000	14,000	895	(13,105)
Tournament fees	22,000	22,000	13,275	(8,725)
Motor coach fees	28,000	28,000	14,157	(13,843)
<b>Total service charges and fees</b>	<b>6,392,186</b>	<b>6,392,186</b>	<b>6,459,709</b>	<b>67,523</b>
<b>Miscellaneous:</b>				
Court fines	50,000	50,000	54,293	4,293
Civil infraction fines	2,500	2,500	3,400	900
Retiree drug subsidy	250,000	250,000	173,681	(76,319)
Interest on investments	1,475,000	1,475,000	1,861,896	386,896
Rent revenue	155,323	155,323	127,675	(27,648)
Sale of capital assets	30,000	30,000	79,845	49,845
Miscellaneous	80,000	80,000	132,845	52,845
Health insurance reinvestment	-	-	4,500,000	4,500,000
MSRS library on-behalf payments	-	-	230,716	230,716
<b>Total miscellaneous</b>	<b>2,042,823</b>	<b>2,042,823</b>	<b>7,164,351</b>	<b>5,121,528</b>
<b>Total revenues</b>	<b>186,096,196</b>	<b>186,096,196</b>	<b>194,296,023</b>	<b>8,199,827</b>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES:</b>				
<b>General government:</b>				
County Commissioners' office:				
Salaries	\$ 917,891	\$ 917,891	\$ 940,248	\$ (22,357)
Benefits	505,381	505,381	576,409	(71,028)
Administrative	15,713	15,506	15,144	362
Other supplies and equipment	6,890	6,890	6,622	268
Equipment maintenance	13,600	13,807	13,806	1
Legal	6,593	6,593	(7,583)	14,176
Consulting	-	576	576	-
Vehicle operating expense	3,500	3,500	3,485	15
Building site	1,344	1,344	1,320	24
Advertising	13,000	13,000	7,770	5,230
Training and travel	46,914	46,338	34,542	11,796
Enterprise fund credits	(92,376)	(92,376)	(95,227)	2,851
	<u>1,438,450</u>	<u>1,438,450</u>	<u>1,497,112</u>	<u>(58,662)</u>
Circuit Court:				
Salaries	941,042	941,042	973,062	(32,020)
Benefits	518,128	518,128	596,526	(78,398)
Administrative	21,840	21,840	20,269	1,571
Other supplies and equipment	9,900	9,900	8,625	1,275
Equipment maintenance	18,270	20,740	19,802	938
Grant services	130,967	130,967	253,036	(122,069)
Legal	105,000	105,000	99,514	5,486
Building site	5,500	5,500	5,246	254
Other maintenance and services	1,800	1,800	1,285	515
Training and travel	10,925	8,455	8,369	86
Uniforms and personal equipment	500	500	409	91
	<u>1,763,872</u>	<u>1,763,872</u>	<u>1,986,143</u>	<u>(222,271)</u>
Orphans' Court:				
Salaries	21,000	21,000	21,808	(808)
Benefits	11,562	11,562	13,369	(1,807)
Administrative	-	1,096	1,096	-
Training and travel	7,294	6,198	5,188	1,010
	<u>39,856</u>	<u>39,856</u>	<u>41,461</u>	<u>(1,605)</u>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>General government, continued:</b>				
State's Attorney's office:				
Salaries	\$ 1,273,669	\$ 1,273,669	\$ 1,282,188	\$ (8,519)
Benefits	701,269	701,269	786,032	(84,763)
Administrative	30,435	30,435	21,557	8,878
Other supplies and equipment	16,913	16,343	12,871	3,472
Equipment maintenance	9,906	11,245	11,245	-
Uniforms and personal equipment	1,000	1,000	-	1,000
Legal	7,800	7,800	5,142	2,658
Vehicle operating expense	11,500	11,500	4,257	7,243
Building site	12,500	11,161	10,733	428
Advertising	500	1,070	1,070	-
Training and travel	26,500	26,500	14,251	12,249
	2,091,992	2,091,992	2,149,346	(57,354)
Treasurer's office:				
Salaries	1,200,857	1,200,857	1,218,695	(17,838)
Benefits	661,179	661,179	747,108	(85,929)
Administrative	46,050	42,432	38,117	4,315
Other supplies and equipment	9,663	9,663	8,121	1,542
Equipment maintenance	77,132	77,132	76,495	637
Legal	1,800	7,227	7,226	1
Consulting services	1,200	1,200	1,806	(606)
Building site	3,100	1,291	1,008	283
Training and travel	6,735	6,735	4,137	2,598
Enterprise fund credits	(245,912)	(245,912)	(255,676)	9,764
	1,761,804	1,761,804	1,847,037	(85,233)
Elections office:				
State employees' salaries and benefits	477,401	477,401	433,569	43,832
Benefits	8,259	8,259	9,196	(937)
Administrative	11,471	11,471	7,389	4,082
Other supplies and equipment	128,796	131,604	145,601	(13,997)
Voting machines and poll expenses	164,845	164,845	138,640	26,205
Equipment maintenance	8,501	8,501	5,807	2,694
Other maintenance and services	-	-	5,020	(5,020)
Consulting services	38,640	35,832	12,384	23,448
Building site	96,305	96,305	93,297	3,008
Training and travel	12,741	12,741	9,179	3,562
	946,959	946,959	860,082	86,877

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2019**  
**(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>General government, continued:</b>				
Human resources:				
Salaries	\$ 418,723	\$ 418,723	\$ 417,256	\$ 1,467
Benefits	230,544	230,544	255,795	(25,251)
Administrative	11,155	11,155	10,642	513
Other supplies and equipment	6,485	7,302	7,301	1
Equipment maintenance	2,400	2,400	2,176	224
Program expense	3,500	3,500	3,495	5
Legal	1,000	1,284	1,284	-
Consulting services	13,000	14,065	14,064	1
Vehicle operating expense	9,550	8,034	7,042	992
Building site	400	400	348	52
Advertising	500	500	1,000	(500)
Training and travel	6,045	5,395	5,154	241
Enterprise fund credits	(72,000)	(72,000)	(72,001)	1
Capital equipment	42,000	42,000	37,193	4,807
	<u>673,302</u>	<u>673,302</u>	<u>690,749</u>	<u>(17,447)</u>
Development review and permitting:				
Salaries	1,385,193	1,385,193	1,356,096	29,097
Benefits	762,673	762,673	831,341	(68,668)
Administrative	10,946	10,946	8,222	2,724
Other supplies and equipment	10,828	10,828	5,966	4,862
Equipment maintenance	7,463	7,463	5,831	1,632
Program expense	22,000	22,000	18,900	3,100
Housing rehabilitation program	217,900	217,900	265,242	(47,342)
Legal	30,750	30,750	23,056	7,694
Vehicle operating expense	15,000	15,000	13,346	1,654
Building site	1,995	1,995	1,255	740
Other maintenance and services	375	375	-	375
Advertising	12,000	12,000	9,606	2,394
Training and travel	21,040	21,040	13,657	7,383
Enterprise fund credits	(77,238)	(77,238)	(77,243)	5
Capital equipment	60,000	60,000	78,720	(18,720)
	<u>2,480,925</u>	<u>2,480,925</u>	<u>2,553,995</u>	<u>(73,070)</u>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>General government, continued:</b>				
Environmental programs:				
Salaries	\$ 999,072	\$ 999,072	\$ 1,035,858	\$ (36,786)
Benefits	550,078	550,078	635,022	(84,944)
Administrative	5,910	5,910	5,650	260
Other supplies and equipment	14,082	14,082	12,149	1,933
Equipment maintenance	2,400	2,400	1,172	1,228
Grant programs	240,000	240,000	87,152	152,848
Legal	2,750	2,750	2,583	167
Consulting services	78,947	78,947	96,896	(17,949)
Vehicle operating expense	18,400	18,400	17,691	709
Building site	1,045	1,045	616	429
Other maintenance and services	500	500	-	500
Advertising	3,200	3,200	2,168	1,032
Training and travel	5,929	5,929	3,070	2,859
Interfund	(25,412)	(25,412)	(25,412)	-
	1,896,901	1,896,901	1,874,615	22,286
Information Technology:				
Salaries	-	496,909	508,410	(11,501)
Benefits	-	273,593	311,676	(38,083)
Administrative	-	1,171	1,122	49
Other supplies and equipment	-	7,810	5,720	2,090
Legal	-	329	328	1
Vehicle operating expense	-	1,500	472	1,028
Building site	-	380	289	91
Training and travel	-	3,905	3,905	-
Uniforms and personal equipment	-	420	399	21
Interfund	-	(33,554)	(33,554)	-
	-	752,463	798,767	(46,304)
Other general government:				
Administrative	170,131	170,131	151,552	18,579
Other supplies and equipment	52,500	45,500	57,566	(12,066)
Equipment maintenance	685,047	695,047	591,490	103,557
Systems maintenance	4,500	4,500	971	3,529
Consulting services	70,000	70,000	58,779	11,221
Energy	15,000	15,000	-	15,000
Building site	809,516	805,149	640,072	165,077
Other maintenance and services	4,800	4,800	3,292	1,508
Training and travel	34,150	31,150	24,256	6,894
Tri-County Council	374,103	374,103	374,103	-

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>General government, continued:</b>				
Other general government, continued:				
Other non-matching expenses - SDAT	\$ 647,610	\$ 647,610	\$ 556,912	\$ 90,698
Property-liability insurance	408,353	408,353	452,163	(43,810)
Other expenses	63,797	63,797	27,743	36,054
Capital equipment	-	-	54,519	(54,519)
Interest expense	32,844	32,844	32,837	7
	3,372,351	3,367,984	3,026,255	341,729
<b>Total general government</b>	16,466,412	17,214,508	17,325,562	(111,054)
<b>Public safety:</b>				
Sheriff's office:				
Salaries	5,485,626	5,485,626	5,412,267	73,359
Overtime pay	536,197	536,197	680,905	(144,708)
Benefits	3,315,551	3,315,551	3,735,357	(419,806)
Administrative	39,068	37,768	41,828	(4,060)
Other supplies and equipment	291,390	262,390	260,154	2,236
Equipment maintenance	136,204	136,204	132,984	3,220
Uniforms and personal equipment	169,885	192,385	200,845	(8,460)
Grant programs	5,720	5,720	-	5,720
Legal	7,750	2,850	523	2,327
Consulting services	21,262	19,162	19,818	(656)
Vehicle operating expense	354,162	394,562	469,820	(75,258)
Building site	51,499	35,899	35,375	524
Training and travel	77,869	67,869	67,840	29
Capital equipment	404,862	404,862	456,987	(52,125)
	10,897,045	10,897,045	11,514,703	(617,658)
Emergency services:				
Salaries	1,296,454	1,296,454	1,281,539	14,915
Overtime pay	70,000	70,000	169,444	(99,444)
Benefits	752,355	752,355	889,510	(137,155)
Administrative	5,245	4,645	4,468	177
Other supplies and equipment	265,780	188,515	163,131	25,384
Equipment maintenance	332,496	332,496	245,787	86,709
Uniforms and personal equipment	4,000	4,000	2,096	1,904
Grant programs	113,390	113,390	55,004	58,386
Legal	1,500	2,585	2,583	2
Consulting services	2,001	79,266	62,728	16,538
Vehicle operating expense	10,700	11,365	11,363	2
Building site	196,040	194,290	165,017	29,273
Advertising	-	600	591	9
Training and travel	8,500	8,500	7,993	507
Information technology operations	752,463	-	-	-
	3,810,924	3,058,461	3,061,254	(2,793)

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND  
 Year Ended June 30, 2019  
 (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Public safety, continued:</b>				
Jail:				
Salaries	\$ 5,989,788	\$ 5,989,788	\$ 6,117,574	\$ (127,786)
Overtime pay	20,556	20,556	27,615	(7,059)
Benefits	3,309,231	3,309,231	3,767,245	(458,014)
Administrative	6,875	6,875	4,657	2,218
Other supplies and equipment	34,506	39,531	39,531	-
Equipment maintenance	28,345	30,821	30,821	-
Uniforms and personal equipment	63,165	63,165	62,962	203
Inmate supplies and services	2,329,960	2,316,471	2,090,186	226,285
Legal	250	762	761	1
Consulting services	4,000	7,465	7,464	1
Vehicle operating expense	12,900	12,900	7,526	5,374
Building site	857,675	857,675	765,060	92,615
Other maintenance and services	9,650	11,533	11,532	1
Training and travel	12,856	12,984	12,983	1
Capital equipment	67,875	67,875	66,399	1,476
	<u>12,747,632</u>	<u>12,747,632</u>	<u>13,012,316</u>	<u>(264,684)</u>
Fire Marshal:				
Salaries	368,905	368,905	384,265	(15,360)
Overtime pay	15,000	15,000	12,889	2,111
Benefits	211,374	211,374	243,471	(32,097)
Administrative	5,240	4,117	3,441	676
Supplies and equipment	54,362	55,440	54,636	804
Equipment maintenance	5,950	5,950	5,845	105
Uniforms and personal equipment	10,200	12,281	12,281	-
Legal	300	300	30	270
Consulting services	-	45	45	-
Vehicle operating expense	15,500	22,635	24,955	(2,320)
Building site	360	360	591	(231)
Training and travel	26,405	17,189	10,635	6,554
	<u>713,596</u>	<u>713,596</u>	<u>753,084</u>	<u>(39,488)</u>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Public safety, continued:</b>				
Volunteer fire departments:				
County grant to fire companies	\$ 2,520,000	\$ 2,520,000	\$ 2,520,000	\$ -
Fireman's Training Center	45,080	45,080	33,542	11,538
State grant for fire companies	381,886	381,886	373,789	8,097
County grant to ambulance companies	3,849,145	3,849,145	3,849,144	1
Training and travel - transportation expense	3,000	3,000	-	3,000
Volunteer fireman worker's compensation	181,171	181,171	197,235	(16,064)
LOSAP appropriation	94,000	94,000	87,600	6,400
	7,074,282	7,074,282	7,061,310	12,972
<b>Total public safety</b>	<b>35,243,479</b>	<b>34,491,016</b>	<b>35,402,667</b>	<b>(911,651)</b>
<b>Public works:</b>				
Maintenance:				
Salaries	890,976	890,976	839,350	51,626
Overtime pay	6,500	6,500	6,409	91
Benefits	494,141	494,141	518,484	(24,343)
Administrative	1,300	1,117	981	136
Other supplies and equipment	41,164	42,256	42,394	(138)
Equipment maintenance	7,374	7,374	7,374	-
Uniforms and personal equipment	6,650	5,333	5,332	1
Consulting services	100	100	80	20
Custodial services	5,000	5,000	(510)	5,510
Vehicle operating expense	45,200	37,973	37,466	507
Building site	23,178	25,178	22,122	3,056
Advertising	500	-	-	-
Training and travel	5,225	11,360	6,202	5,158
Capital equipment	26,000	26,000	23,564	2,436
	1,553,308	1,553,308	1,509,248	44,060
Roads department:				
Salaries	1,464,863	1,464,863	1,298,456	166,407
Overtime pay	12,000	12,000	1,281	10,719
Benefits	813,145	813,145	796,790	16,355
Administrative	1,925	1,925	1,404	521
Other supplies and equipment	108,694	108,694	74,412	34,282
Equipment maintenance	15,000	15,000	12,399	2,601
Road maintenance materials	1,094,500	1,096,816	1,096,815	1
Uniforms and personal equipment	12,600	12,600	9,703	2,897
Grant services	559,563	559,563	7,767	551,796
Legal	-	120	119	1
Consulting services	1,000	1,000	695	305
Vehicle operating expense	292,300	292,300	286,037	6,263

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Public works, continued:</b>				
Roads department, continued:				
Building site	\$ 41,350	\$ 41,350	\$ 38,416	\$ 2,934
Road maintenance	180,880	186,608	186,609	(1)
Advertising	1,600	1,600	930	670
Training and travel	2,265	2,265	963	1,302
Capital equipment	783,422	775,258	595,958	179,300
	<u>5,385,107</u>	<u>5,385,107</u>	<u>4,408,754</u>	<u>976,353</u>
Public works:				
Salaries	546,078	546,078	566,850	(20,772)
Overtime	-	-	-	-
Benefits	300,665	300,665	347,502	(46,837)
Administrative	2,995	2,995	1,664	1,331
Other supplies and equipment	12,402	12,402	9,446	2,956
Equipment maintenance	6,150	5,532	5,214	318
Uniforms and personal equipment	1,050	1,050	1,035	15
Program expense	225	225	-	225
Legal	2,700	2,700	478	2,222
Consulting services	80,300	80,300	71,124	9,176
Vehicle operating expense	9,500	9,500	6,418	3,082
Building site	39,020	46,745	21,076	25,669
Other maintenance and services	1,700	1,700	1,170	530
Fleet services	(82,124)	(82,124)	(9,038)	(73,086)
Central fuel facility	-	-	(22,786)	22,786
Advertising	300	300	101	199
Training and travel	2,865	2,865	1,815	1,050
Enterprise fund credits	(162,459)	(162,459)	(162,454)	(5)
Capital equipment	23,000	15,893	16,234	(341)
	<u>784,367</u>	<u>784,367</u>	<u>855,849</u>	<u>(71,482)</u>
<b>Total public works</b>	<u>7,722,782</u>	<u>7,722,782</u>	<u>6,773,851</u>	<u>948,931</u>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Health and hospitals:</b>				
Health department:				
Administrative	\$ 3,000	\$ 3,000	\$ 225	\$ 2,775
Health clinic's building expenses	416,002	416,002	398,683	17,319
Other non-matching expenses	242,063	242,063	239,321	2,742
Matching appropriation	4,886,688	4,886,688	4,891,691	(5,003)
Capital equipment	-	-	2,605	(2,605)
	5,547,753	5,547,753	5,532,525	15,228
Mosquito control:				
Salaries	79,458	79,458	75,280	4,178
Benefits	43,749	43,749	46,150	(2,401)
Administrative	400	400	195	205
Other supplies and equipment	1,200	819	399	420
Equipment maintenance	550	571	571	-
Uniforms and personal equipment	700	910	910	-
Vehicle operating expense	13,000	18,061	18,060	1
Building site	4,850	3,430	3,428	2
Training and travel	-	150	150	-
Appropriation for spraying	90,000	90,000	69,796	20,204
Capital equipment	94,000	90,359	65,232	25,127
	327,907	327,907	280,171	47,736
Other health and hospitals:				
Worcester County Developmental Center	219,497	219,497	219,497	-
Hartley Hall	11,250	11,250	11,250	-
Atlantic General Hospital	175,000	175,000	175,000	-
	405,747	405,747	405,747	-
<b>Total health and hospitals</b>	<b>6,281,407</b>	<b>6,281,407</b>	<b>6,218,443</b>	<b>62,964</b>
<b>Social services:</b>				
Commission on Aging:				
Administrative	500	500	500	-
Other supplies and equipment	1,000	1,000	1,000	-
Grant services	-	-	46,403	(46,403)
Consulting services	300	300	300	-
Senior transportation	2,500	2,500	2,500	-
Senior center building expenses	210,650	210,650	213,564	(2,914)
Training and travel	7,000	7,000	7,000	-
Appropriation for Commission on Aging	906,700	906,700	906,700	-
	1,128,650	1,128,650	1,177,967	(49,317)

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Social services, continued:</b>				
Other social services:				
State pass-through grant Diakonia	\$ -	\$ -	\$ 126,685	\$ (126,685)
State pass-through grant Samaritan Shelter	-	-	29,700	(29,700)
Big Brothers / Big Sisters	1,000	1,000	1,000	-
BRAVE program	3,500	3,500	3,500	-
Coastal Hospice at the Ocean	10,000	10,000	10,000	-
The Cricket Center	10,000	10,000	10,000	-
Diakonia	45,000	45,000	45,000	-
Drug and alcohol council	9,000	9,000	8,938	62
Jesse Klump Memorial Fund, Inc.	1,000	1,000	1,000	-
Life Crisis Center	8,500	8,500	8,500	-
Maryland Food Bank	1,500	1,500	1,500	-
Oasis Ministries	9,000	9,000	9,000	-
Salvation Army Lower Eastern Shore	2,000	2,000	2,000	-
Samaritan Shelter	20,000	20,000	20,000	-
Save the Youth program	18,000	18,000	-	18,000
Social Services Pharmacy grant	15,000	15,000	15,000	-
Worcester County GOLD	15,000	15,000	15,000	-
Youth & Family Counseling	91,710	91,710	91,710	-
Matching appropriation - DHMH - WCDC	86,022	86,022	86,022	-
	346,232	346,232	484,555	(138,323)
<b>Total social services</b>	1,474,882	1,474,882	1,662,522	(187,640)
<b>Education:</b>				
Board of Education:				
Retirement	514,482	514,482	530,857	(16,375)
Post-retirement benefits	2,635,500	2,635,500	5,385,500	(2,750,000)
School building improvements	100,000	100,000	100,000	-
Operating appropriations	86,285,293	86,285,293	86,285,293	-
Technology program	200,000	200,000	200,000	-
Restricted programs	262,000	262,000	293,180	(31,180)
	89,997,275	89,997,275	92,794,830	(2,797,555)
Wor-Wic Community College:				
Operating appropriation	2,203,762	2,203,762	2,203,762	-
	2,203,762	2,203,762	2,203,762	-
<b>Total education</b>	92,201,037	92,201,037	94,998,592	(2,797,555)

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Libraries, recreation, parks and culture:</b>				
Recreation department:				
Salaries	\$ 739,207	\$ 739,207	\$ 734,562	\$ 4,645
Benefits	406,999	406,999	450,316	(43,317)
Administrative	29,650	28,187	25,910	2,277
Other supplies and equipment	42,910	53,025	53,025	-
Equipment maintenance	28,940	36,107	36,107	-
Uniforms and personal equipment	2,000	2,671	2,670	1
Recreation programs	137,910	137,910	113,219	24,691
Legal services	-	792	791	1
Consulting services	750	750	-	750
Vehicle and equipment operating expense	5,500	5,500	4,979	521
Building site	166,078	148,796	136,901	11,895
Advertising	6,000	6,000	6,678	(678)
Training and travel	10,980	10,980	9,494	1,486
Capital equipment	66,000	66,000	61,246	4,754
	1,642,924	1,642,924	1,635,898	7,026
Parks department:				
Salaries	341,719	341,719	353,452	(11,733)
Benefits	188,147	188,147	216,680	(28,533)
Administrative	966	966	682	284
Supplies and equipment	15,356	14,583	12,968	1,615
Uniforms and personal equipment	2,080	2,080	1,950	130
Grant programs	751,945	751,945	87,368	664,577
Other supplies and materials	29,646	29,646	29,511	135
Legal services	-	508	508	-
Vehicle and equipment operating expense	24,000	24,000	30,336	(6,336)
Park expenses	57,021	57,021	55,410	1,611
Other maintenance and services	1,750	1,924	1,924	-
Advertising	200	200	165	35
Training and travel	600	691	691	-
Capital equipment	39,000	39,000	35,240	3,760
	1,452,430	1,452,430	826,885	625,545
Boat landings:				
Supplies and equipment	9,000	9,000	8,996	4
Grant programs	23,584	23,584	233,640	(210,056)
Landing expenses	21,115	21,115	15,390	5,725
Advertising	400	400	149	251
	54,099	54,099	258,175	(204,076)

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Libraries, recreation, parks and culture, continued:</b>				
Library:				
Salaries	\$ 1,772,010	\$ 1,772,010	\$ 1,772,473	\$ (463)
Overtime pay	2,000	2,000	127	1,873
Benefits	976,751	976,751	1,086,674	(109,923)
Administrative	43,600	33,652	25,954	7,698
Other supplies and equipment	294,110	294,110	266,668	27,442
Equipment maintenance	61,000	51,700	44,150	7,550
Grant services	75,000	75,000	96,282	(21,282)
Program expense	-	-	7,050	(7,050)
Legal	500	874	874	-
Vehicle operating expenses	750	1,855	1,611	244
Building site	385,172	385,172	299,513	85,659
Training and travel	8,504	7,025	4,409	2,616
Benefits and insurance	300	300	173	127
Capital equipment	-	19,248	73,319	(54,071)
MSRS library on-behalf payments	-	-	230,716	(230,716)
	3,619,697	3,619,697	3,909,993	(290,296)
Other recreation and culture:				
Marva Theatre	15,000	15,000	15,000	-
Furnace Town	20,000	20,000	20,000	-
Discovery Center	20,000	20,000	20,000	-
Pocomoke Little League	10,000	10,000	10,000	-
	65,000	65,000	65,000	-
<b>Total libraries, recreation, parks and culture</b>	<b>6,834,150</b>	<b>6,834,150</b>	<b>6,695,951</b>	<b>138,199</b>
<b>Conservation of natural resources:</b>				
Extension service:				
Administrative	9,873	9,873	9,528	345
Other supplies and equipment	9,420	9,420	9,360	60
Equipment maintenance	6,800	6,800	4,236	2,564
Building site	2,500	2,500	1,795	705
Operating appropriation	152,845	152,845	152,845	-
	181,438	181,438	177,764	3,674
Other natural resources:				
Gypsy moth control	1,700	1,700	1,575	125
Soil Conservation District	48,554	48,554	48,554	-
Maryland agricultural land preservation fund	1,000	1,000	83,238	(82,238)
Matching appropriation beach maintenance	450,000	450,000	458,482	(8,482)
Conservation easements	-	-	40,425	(40,425)
	501,254	501,254	632,274	(131,020)
<b>Total conservation of natural resources</b>	<b>682,692</b>	<b>682,692</b>	<b>810,038</b>	<b>(127,346)</b>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Economic development:</b>				
Economic development department:				
Salaries	\$ 188,040	\$ 188,040	\$ 103,929	\$ 84,111
Benefits	103,533	103,533	63,713	39,820
Administrative	25,150	25,150	6,034	19,116
Other supplies and equipment	5,050	5,050	1,451	3,599
Equipment maintenance	1,200	1,200	1,075	125
Program expense	110,000	110,000	109,310	690
Legal services	-	30	30	-
Consulting services	25,000	23,470	5,248	18,222
Vehicle operating expense	3,250	3,250	962	2,288
Building site	700	2,200	2,181	19
Other maintenance and services	25,000	25,000	25,000	-
Advertising	40,000	40,000	3,335	36,665
Training and travel	18,675	18,675	7,853	10,822
	<u>545,598</u>	<u>545,598</u>	<u>330,121</u>	<u>215,477</u>
Tourism:				
Salaries	215,651	210,890	198,516	12,374
Benefits	118,735	118,735	121,698	(2,963)
Administrative	4,505	4,272	2,062	2,210
Other supplies and equipment	48,976	45,262	44,015	1,247
Equipment maintenance	1,055	1,055	975	80
Uniforms and personal equipment	250	250	-	250
Grant programs	102,931	106,645	163,959	(57,314)
Legal	300	300	75	225
Consulting services	25,000	29,761	29,154	607
Vehicle operating expense	1,500	1,733	1,732	1
Building site	17,584	21,951	18,621	3,330
Advertising	663,500	663,500	663,438	62
Training and travel	4,250	4,250	3,352	898
	<u>1,204,237</u>	<u>1,208,604</u>	<u>1,247,597</u>	<u>(38,993)</u>
	<b>Total economic development</b>			
	<u>1,749,835</u>	<u>1,754,202</u>	<u>1,577,718</u>	<u>176,484</u>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019  
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Intergovernmental:</b>				
Towns' share county bingo fees	\$ 3,100	\$ 3,100	\$ 3,230	\$ (130)
Towns' share county income tax	2,000,000	2,000,000	1,954,560	45,440
Towns' share liquor license fees	331,970	331,970	362,625	(30,655)
Grants to towns - conditional grants	20,000	20,000	20,000	-
Grants to towns for police	475,000	475,000	475,000	-
Grants to towns for fire	489,000	489,000	489,000	-
Grants to towns for tourism	50,000	50,000	50,000	-
Other grants to towns	4,678,425	4,678,425	4,678,425	-
<b>Total intergovernmental</b>	8,047,495	8,047,495	8,032,840	14,655
<b>Total expenditures</b>	176,704,171	176,704,171	179,498,184	(2,794,013)
<b>Excess of revenues over expenditures</b>	9,392,025	9,392,025	14,797,839	5,405,814
<b>OTHER FINANCING (SOURCES) USES:</b>				
Transfer to Debt Service Fund	11,628,225	11,628,225	11,632,432	(4,207)
Transfer from Capital Projects Fund	-	-	(70,219)	70,219
Transfer to Capital Projects Fund	-	-	5,933,318	(5,933,318)
Transfer from Casino Fund	(2,236,200)	(2,236,200)	(2,236,200)	-
Transfer to Department of Solid Waste	1,698,323	1,698,323	1,698,323	-
Budget stabilization	(1,698,323)	(1,698,323)	-	(1,698,323)
<b>Total other financing uses</b>	9,392,025	9,392,025	16,957,654	(7,565,629)
<b>Net change in fund balance</b>	\$ -	\$ -	(2,159,815)	\$ (2,159,815)
Fund balance, beginning			53,965,423	
Fund balance, ending			<u>\$ 51,805,608</u>	

WORCESTER COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2019

	Department of Social Services <u>Fund</u>	Local Management Board <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 81,840	\$ 198,333	\$ 1,746,686	\$ -	\$ 2,026,859
Accounts receivable	-	51,935	-	-	51,935
Due from other funds	-	-	2,677	371,836	374,513
<b>Total assets</b>	<b>\$ 81,840</b>	<b>\$ 250,268</b>	<b>\$ 1,749,363</b>	<b>\$ 371,836</b>	<b>\$ 2,453,307</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 212,667	\$ -	\$ -	\$ 212,667
<b>Total liabilities</b>	<b>-</b>	<b>212,667</b>	<b>-</b>	<b>-</b>	<b>212,667</b>
Fund balances:					
Assigned	81,840	37,601	1,749,363	371,836	2,240,640
<b>Total fund balances</b>	<b>81,840</b>	<b>37,601</b>	<b>1,749,363</b>	<b>371,836</b>	<b>2,240,640</b>
<b>Total liabilities and fund balances</b>	<b>\$ 81,840</b>	<b>\$ 250,268</b>	<b>\$ 1,749,363</b>	<b>\$ 371,836</b>	<b>\$ 2,453,307</b>

WORCESTER COUNTY, MARYLAND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2019

	Department of Social Services <u>Fund</u>	Local Management <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
<b>REVENUES:</b>					
Intergovernmental	\$ 37,246	\$ 674,604	\$ 2,935,454	\$ -	\$ 3,647,304
Interest income	-	6	22,815	-	22,821
<b>Total revenues</b>	<b>37,246</b>	<b>674,610</b>	<b>2,958,269</b>	<b>-</b>	<b>3,670,125</b>
<b>EXPENDITURES:</b>					
Social services	69,939	559,888	-	-	629,827
Administrative expenses	-	152,056	-	39,849	191,905
<b>Total expenditures</b>	<b>69,939</b>	<b>711,944</b>	<b>-</b>	<b>39,849</b>	<b>821,732</b>
Excess (deficiency) of revenues over expenditures	(32,693)	(37,334)	2,958,269	(39,849)	2,848,393
<b>OTHER FINANCING USES:</b>					
Transfers out	-	-	(2,236,200)	-	(2,236,200)
Excess (deficiency) of revenues and other financing uses over expenditures	(32,693)	(37,334)	722,069	(39,849)	612,193
Fund balances, beginning	114,533	74,935	1,027,294	411,685	1,628,447
Fund balances, ending	\$ 81,840	\$ 37,601	\$ 1,749,363	\$ 371,836	\$ 2,240,640

WORCESTER COUNTY, MARYLAND

BALANCE SHEET

LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND

June 30, 2019

**ASSETS**

Cash	\$	186,093
Cash - earned reinvestment		12,240
Accounts receivable		51,935
<b>Total assets</b>		<b>250,268</b>

**LIABILITIES AND FUND BALANCE**

Liabilities:		
Accounts payable		212,667
<b>Total liabilities</b>		<b>212,667</b>
Fund balance		37,601
<b>Total liabilities and fund balance</b>	\$	<b>250,268</b>

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND**  
**Year Ended June 30, 2019**

**REVENUES:**

Community partnership grant	\$	519,619
Administrative receipts		154,985
Direct program receipts		-
<hr/>		
Total revenues		674,604
<hr/>		

**EXPENDITURES:**

Administrative:		
Salaries		53,528
Benefits		31,216
Advertising		1,889
Communications		1,537
Consultants		36,263
Equipment		784
Indirect administrative expenses		17,063
Postage		300
Printing		1,800
Supplies		1,093
Conferences/conventions		4,583
Travel		2,000
Community partnership grant:		
Building Bridges		150,627
Children's Resource - Cricket Center		30,000
Comprehensive Parenting Program Initiative		56,000
Local Care Team Coordinator		21,208
WE3		111,795
Youth Connection Center		190,258
<hr/>		
Total expenditures		711,944
<hr/>		

Change in fund balance before other financing sources		(37,340)
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**OTHER FINANCING SOURCES:**

Interest income		6
<hr/>		

Change in fund balance		(37,334)
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Fund balance, beginning		74,935
<hr/>		

Fund balance, ending	\$	37,601
<hr/>		

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FUND NET POSITION - OPERATING FUNDS

DEPARTMENT OF WATER AND WASTEWATER SERVICES

June 30, 2019

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Newark Service <u>Area</u>	Bridgetown Service <u>Area</u>	Shared Facilities	Edgewater Acres <u>S.A.</u>
<b>ASSETS</b>						
Current assets:						
Cash and short-term investments	\$1,777,869	\$ (704,945)	\$(151,399)	\$ 11,058	\$34,341	\$(26,806)
Accounts receivable - usage billings	399,079	1,725,969	35,801	4,819	111	58,059
<b>Total current assets</b>	<b>2,176,948</b>	<b>1,021,024</b>	<b>(115,598)</b>	<b>15,877</b>	<b>34,452</b>	<b>31,253</b>
Capital assets:						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,731,393	47,891,265	1,480,788	341,349	-	94,806
Machinery and equipment	-	3,159,617	-	-	-	81,156
Construction-in-progress	144,451	-	112,769	-	-	-
	10,922,881	51,114,201	1,598,084	341,349	-	175,962
Less: accumulated depreciation	(8,826,600)	(24,448,315)	(765,121)	(260,787)	-	(136,613)
	2,096,281	26,665,886	832,963	80,562	-	39,349
<b>Total assets</b>	<b>4,273,229</b>	<b>27,686,910</b>	<b>717,365</b>	<b>96,439</b>	<b>34,452</b>	<b>70,602</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	58,517	364,461	4,673	3,208	537	7,224
Interfund payable	-	1,647,884	(9,707)	-	-	-
<b>Total current liabilities</b>	<b>58,517</b>	<b>2,012,345</b>	<b>(5,034)</b>	<b>3,208</b>	<b>537</b>	<b>7,224</b>
Other liabilities:						
Compensated absences	6,890	126,783	2,496	695	-	1,537
Due to other funds	8,963	222,526	2,711	521	1,527	1,582
<b>Total other liabilities</b>	<b>15,853</b>	<b>349,309</b>	<b>5,207</b>	<b>1,216</b>	<b>1,527</b>	<b>3,119</b>
<b>Total liabilities</b>	<b>74,370</b>	<b>2,361,654</b>	<b>173</b>	<b>4,424</b>	<b>2,064</b>	<b>10,343</b>
<b>NET POSITION</b>						
Unrestricted net position	\$4,198,859	\$25,325,256	\$ 717,192	\$ 92,015	\$32,388	\$ 60,259

Assateague Pointe <u>S.A.</u>	River Run <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Lighthouse Sound <u>S.A.</u>	Riddle Farm <u>S.A.</u>	The Landings <u>S.A.</u>	Support Groups	Total
\$ 359,303	\$ 342,459	\$ 115,591	\$ 149,082	\$ (604,511)	\$ (232,148)	\$ 86,140	\$ 1,156,034
60,226	29,673	328,329	25,200	805,990	76,231	-	3,549,487
419,529	372,132	443,920	174,282	201,479	(155,917)	86,140	4,705,521
-	-	-	-	-	-	-	114,883
1,159,451	-	20,540,542	-	20,676,063	9,140,609	-	112,056,266
-	128,233	474,023	-	-	-	1,245,210	5,088,239
-	-	-	-	23,818	-	-	281,038
1,159,451	128,233	21,014,565	-	20,699,881	9,140,609	1,245,210	117,540,426
(928,201)	(127,228)	(2,966,894)	-	(6,273,125)	(2,793,277)	(952,608)	(48,478,769)
231,250	1,005	18,047,671	-	14,426,756	6,347,332	292,602	69,061,657
650,779	373,137	18,491,591	174,282	14,628,235	6,191,415	378,742	73,767,178
13,267	8,646	102,445	2,637	38,726	13,347	16,132	633,819
44,790	-	(628,894)	-	-	-	-	1,054,073
58,057	8,646	(526,449)	2,637	38,726	13,347	16,132	1,687,892
2,463	925	10,066	1,043	3,134	1,833	-	157,867
4,364	2,796	22,549	1,797	616,634	195,653	70,803	1,152,426
6,827	3,721	32,615	2,840	619,768	197,486	70,803	1,310,293
64,884	12,367	(493,834)	5,477	658,494	210,833	86,935	2,998,184
\$ 585,895	\$ 360,770	\$18,985,425	\$ 168,805	\$13,969,741	\$ 5,980,582	\$ 291,807	\$70,768,994

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FUND NET POSITION - CAPITAL PROJECTS FUNDS  
DEPARTMENT OF WATER AND WASTEWATER SERVICES

June 30, 2019

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
<b>ASSETS</b>				
Current assets:				
Cash and short-term investments	\$ 44,208	\$ 5,650,875	\$ 21,729	\$ 5,070
Accounts receivable - EDU	-	1,256,232	60,974	25,168
Interfund receivable	-	1,647,884	12,806	-
<b>Total current assets</b>	44,208	8,554,991	95,509	30,238
Other assets:				
Long-term EDU receivable	-	7,985,068	50,350	182,891
Construction-in-progress	-	-	-	-
<b>Total other assets</b>	-	7,985,068	50,350	182,891
<b>Total assets</b>	44,208	16,540,059	145,859	213,129
<b>LIABILITIES</b>				
Current liabilities:				
Interfund payable	-	-	-	9,707
Due to other funds	-	-	48,395	-
Bonds payable - current portion	(230)	982,959	-	19,231
Accrued bond interest payable	-	113,980	-	926
<b>Total current liabilities</b>	(230)	1,096,939	48,395	29,864
Other liabilities:				
Unearned revenue	-	8,897,865	98,745	202,124
Due to General Fund	-	-	50,348	-
Bonds payable	(461)	8,776,659	-	182,893
<b>Total other liabilities</b>	(461)	17,674,524	149,093	385,017
<b>Total liabilities</b>	(691)	18,771,463	197,488	414,881
<b>NET POSITION</b>				
Unrestricted net position (deficit)	\$ 44,899	\$ (2,231,404)	\$ (51,629)	\$ (201,752)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	Riddle Farm <u>S.A.</u>	<u>Total</u>
\$ -	\$ -	\$ 1,766,793	\$ -	\$ 250,666	\$ 7,739,341
-	-	288,248	40,767	-	1,671,389
-	-	-	44,790	-	1,705,480
-	-	2,055,041	85,557	250,666	11,116,210
-	-	9,482,640	184,278	215,000	18,100,227
-	-	-	-	-	-
-	-	9,482,640	184,278	215,000	18,100,227
-	-	11,537,681	269,835	465,666	29,216,437
-	-	641,700	-	-	651,407
-	-	-	-	-	48,395
-	-	259,598	31,504	2,421	1,295,483
-	-	18,328	2,097	2,340	137,671
-	-	919,626	33,601	4,761	2,132,956
-	-	9,665,643	215,783	215,000	19,295,160
-	-	-	-	-	50,348
-	-	10,563,593	184,279	248,293	19,955,256
-	-	20,229,236	400,062	463,293	39,300,764
-	-	21,148,862	433,663	468,054	41,433,720
\$ -	\$ -	\$ (9,611,181)	\$ (163,828)	\$ (2,388)	\$ (12,217,283)

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL - OPERATING FUNDS  
DEPARTMENT OF WATER AND WASTEWATER SERVICES  
Year Ended June 30, 2019

	<u>West Ocean City Service Area</u>			<u>Ocean Pines Service Area</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
<b>OPERATING REVENUES:</b>						
Charges for service	\$1,408,000	\$1,467,825	\$ 59,825	\$6,951,940	\$ 7,008,320	\$ 56,380
Interest and penalties	18,000	19,071	1,071	83,000	82,868	(132)
Other revenue	-	5,250	5,250	143,000	737,149	594,149
<b>Total operating revenues</b>	<b>1,426,000</b>	<b>1,492,146</b>	<b>66,146</b>	<b>7,177,940</b>	<b>7,828,337</b>	<b>650,397</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	182,562	190,738	(8,176)	3,581,323	3,404,611	176,712
Supplies and materials	23,173	24,008	(835)	483,463	529,885	(46,422)
Maintenance and services	869,714	931,538	(61,824)	1,907,408	1,984,688	(77,280)
Other charges	17,672	16,866	806	102,418	80,619	21,799
Interfund charges	107,218	107,216	2	447,422	447,422	-
<b>Total operating expenses</b>	<b>1,200,339</b>	<b>1,270,366</b>	<b>(70,027)</b>	<b>6,522,034</b>	<b>6,447,225</b>	<b>74,809</b>
Operating income (loss) before depreciation	225,661	221,780	(3,881)	655,906	1,381,112	725,206
Depreciation	-	311,669	(311,669)	-	1,490,358	(1,490,358)
<b>Net operating income (loss)</b>	<b>225,661</b>	<b>(89,889)</b>	<b>(315,550)</b>	<b>655,906</b>	<b>(109,246)</b>	<b>(765,152)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Transfer from (to) reserves	(100,661)	-	100,661	(183,906)	-	183,906
Transfer from (to) other funds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	10,728	10,728
Operating grants	-	-	-	-	-	-
Interest income	5,000	22,120	17,120	-	77	77
<b>Net nonoperating revenues (expenses)</b>	<b>(95,661)</b>	<b>22,120</b>	<b>117,781</b>	<b>(183,906)</b>	<b>10,805</b>	<b>194,711</b>
<b>Net income (loss)</b>	<b>\$ 130,000</b>	<b>\$ (67,769)</b>	<b>\$(197,769)</b>	<b>\$ 472,000</b>	<b>\$ (98,441)</b>	<b>\$ (570,441)</b>
<b>OTHER BUDGETED EXPENDITURES:</b>						
Capital outlay	\$ (130,000)			\$ (472,000)		
<b>Total other budgeted expenditures</b>	<b>(130,000)</b>			<b>(472,000)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<u>Newark Service Area</u>			<u>Bridgetown Service Area</u>			<u>Edgewater Acres Service Area</u>		
Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
\$ 131,650	\$ 137,571	\$ 5,921	\$ 12,550	\$ 13,681	\$ 1,131	\$222,750	\$ 226,072	\$ 3,322
2,500	1,760	(740)	1,000	472	(528)	1,500	2,189	689
18,000	18,545	545	-	154	154	875	869	(6)
<u>152,150</u>	<u>157,876</u>	<u>5,726</u>	<u>13,550</u>	<u>14,307</u>	<u>757</u>	<u>225,125</u>	<u>229,130</u>	<u>4,005</u>
71,520	63,778	7,742	10,019	9,871	148	37,508	41,800	(4,292)
16,373	10,950	5,423	1,027	796	231	4,152	2,824	1,328
41,082	33,978	7,104	30,923	31,298	(375)	161,132	139,079	22,053
1,408	1,217	191	349	208	141	2,075	1,940	135
5,541	5,541	-	1,299	1,299	-	10,954	10,953	1
<u>135,924</u>	<u>115,464</u>	<u>20,460</u>	<u>43,617</u>	<u>43,472</u>	<u>145</u>	<u>215,821</u>	<u>196,596</u>	<u>19,225</u>
16,226	42,412	26,186	(30,067)	(29,165)	902	9,304	32,534	23,230
-	28,716	(28,716)	-	11,296	(11,296)	-	4,370	(4,370)
<u>16,226</u>	<u>13,696</u>	<u>(2,530)</u>	<u>(30,067)</u>	<u>(40,461)</u>	<u>(10,394)</u>	<u>9,304</u>	<u>28,164</u>	<u>18,860</u>
(16,226)	-	16,226	4,067	-	(4,067)	(9,304)	-	9,304
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	26,000	26,000	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(16,226)</u>	<u>-</u>	<u>16,226</u>	<u>30,067</u>	<u>26,000</u>	<u>(4,067)</u>	<u>(9,304)</u>	<u>-</u>	<u>9,304</u>
<u>\$ -</u>	<u>\$ 13,696</u>	<u>\$ 13,696</u>	<u>\$ -</u>	<u>\$ (14,461)</u>	<u>\$ (14,461)</u>	<u>\$ -</u>	<u>\$ 28,164</u>	<u>\$ 28,164</u>
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		
<u>-</u>			<u>-</u>			<u>-</u>		
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL - OPERATING FUNDS**  
**DEPARTMENT OF WATER AND WASTEWATER SERVICES**  
**Year Ended June 30, 2019**  
**(CONTINUED)**

	<u>Assateague Pointe Service Area</u>			<u>River Run Service Area</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
<b>OPERATING REVENUES:</b>						
Charges for service	\$ 234,100	\$ 248,814	\$ 14,714	\$ 165,000	\$ 152,952	\$ (12,048)
Interest and penalties	4,000	3,653	(347)	500	951	451
Other revenue	-	2,110	2,110	-	1,050	1,050
<u>Total operating revenues</u>	<u>238,100</u>	<u>254,577</u>	<u>16,477</u>	<u>165,500</u>	<u>154,953</u>	<u>(10,547)</u>
<b>OPERATING EXPENSES:</b>						
Personnel services	83,856	112,599	(28,743)	55,553	56,081	(528)
Supplies and materials	31,992	23,432	8,560	16,363	15,632	731
Maintenance and services	105,712	102,432	3,280	92,070	92,628	(558)
Other charges	5,857	4,930	927	1,449	1,443	6
Interfund charges	28,118	28,119	(1)	8,789	8,788	1
<u>Total operating expenses</u>	<u>255,535</u>	<u>271,512</u>	<u>(15,977)</u>	<u>174,224</u>	<u>174,572</u>	<u>(348)</u>
Operating income (loss) before depreciation	(17,435)	(16,935)	500	(8,724)	(19,619)	(10,895)
Depreciation	-	79,004	(79,004)	-	2,013	(2,013)
<u>Net operating income (loss)</u>	<u>(17,435)</u>	<u>(95,939)</u>	<u>(78,504)</u>	<u>(8,724)</u>	<u>(21,632)</u>	<u>(12,908)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Transfer from (to) reserves	17,435	-	(17,435)	8,724	-	(8,724)
Transfer from (to) other funds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
<u>Net nonoperating revenues (expenses)</u>	<u>17,435</u>	<u>-</u>	<u>(17,435)</u>	<u>8,724</u>	<u>-</u>	<u>(8,724)</u>
<u>Net income (loss)</u>	<u>\$ -</u>	<u>\$ (95,939)</u>	<u>\$ (95,939)</u>	<u>\$ -</u>	<u>\$ (21,632)</u>	<u>\$ (21,632)</u>
<b>OTHER BUDGETED EXPENDITURES:</b>						
Capital outlay	\$ -			\$ -		
<u>Total other budgeted expenditures</u>	<u>-</u>			<u>-</u>		
<u>Budgeted net income (loss)</u>	<u>\$ -</u>			<u>\$ -</u>		

<u>Mystic Harbour Service Area</u>			<u>Lighthouse Sound Service Area</u>			<u>Riddle Farm Service Area</u>		
Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
\$ 1,161,000	\$ 1,507,167	\$ 346,167	\$ 95,800	\$ 96,200	\$ 400	\$502,900	\$ 614,268	\$ 111,368
14,000	21,562	7,562	700	613	(87)	4,000	6,297	2,297
-	1,651,792	1,651,792	-	382	382	-	102,942	102,942
<u>1,175,000</u>	<u>3,180,521</u>	<u>2,005,521</u>	<u>96,500</u>	<u>97,195</u>	<u>695</u>	<u>506,900</u>	<u>723,507</u>	<u>216,607</u>
451,384	438,299	13,085	48,854	52,799	(3,945)	219,129	300,456	(81,327)
228,900	174,644	54,256	12,157	15,758	(3,601)	62,666	91,989	(29,323)
489,214	586,176	(96,962)	32,912	28,906	4,006	204,385	408,686	(204,301)
18,600	16,675	1,925	1,217	668	549	5,043	18,764	(13,721)
85,174	85,175	(1)	3,247	3,247	-	21,602	21,603	(1)
<u>1,273,272</u>	<u>1,300,969</u>	<u>(27,697)</u>	<u>98,387</u>	<u>101,378</u>	<u>(2,991)</u>	<u>512,825</u>	<u>841,498</u>	<u>(328,673)</u>
(98,272)	1,879,552	1,977,824	(1,887)	(4,183)	(2,296)	(5,925)	(117,991)	(112,066)
-	518,352	(518,352)	-	-	-	-	555,967	(555,967)
<u>(98,272)</u>	<u>1,361,200</u>	<u>1,459,472</u>	<u>(1,887)</u>	<u>(4,183)</u>	<u>(2,296)</u>	<u>(5,925)</u>	<u>(673,958)</u>	<u>(668,033)</u>
98,272	-	(98,272)	1,887	-	(1,887)	15,925	-	(15,925)
-	2,671,599	2,671,599	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1,092	1,092	-	-	-	-	1,246	1,246
<u>98,272</u>	<u>2,672,691</u>	<u>2,574,419</u>	<u>1,887</u>	<u>-</u>	<u>(1,887)</u>	<u>15,925</u>	<u>1,246</u>	<u>(14,679)</u>
<u>\$ -</u>	<u>\$ 4,033,891</u>	<u>\$ 4,033,891</u>	<u>\$ -</u>	<u>\$ (4,183)</u>	<u>\$ (4,183)</u>	<u>\$ 10,000</u>	<u>\$(672,712)</u>	<u>\$(682,712)</u>
<u>\$ -</u>			<u>\$ -</u>			<u>\$ (10,000)</u>		
<u>-</u>			<u>-</u>			<u>(10,000)</u>		
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL - OPERATING FUNDS**  
**DEPARTMENT OF WATER AND WASTEWATER SERVICES**  
**Year Ended June 30, 2019**  
**(CONTINUED)**

	<u>The Landings Service Area</u>			<u>Support Group</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
<b>OPERATING REVENUES:</b>						
Charges for service	\$ 302,000	\$ 299,737	\$ (2,263)	\$ -	\$ -	\$ -
Interest and penalties	5,000	3,451	(1,549)	-	-	-
Other revenue	-	434	434	-	102,649	102,649
<b>Total operating revenues</b>	<b>307,000</b>	<b>303,622</b>	<b>(3,378)</b>	<b>-</b>	<b>102,649</b>	<b>102,649</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	169,321	160,845	8,476	-	7,565	(7,565)
Supplies and materials	58,447	47,398	11,049	-	134	(134)
Maintenance and services	122,544	133,269	(10,725)	-	1,812	(1,812)
Other charges	2,826	2,108	718	-	-	-
Interfund charges	7,598	7,598	-	-	-	-
<b>Total operating expenses</b>	<b>360,736</b>	<b>351,218</b>	<b>9,518</b>	<b>-</b>	<b>9,511</b>	<b>(9,511)</b>
Operating income (loss) before depreciation	(53,736)	(47,596)	6,140	-	93,138	93,138
Depreciation	-	240,607	(240,607)	-	102,395	(102,395)
<b>Net operating income (loss)</b>	<b>(53,736)</b>	<b>(288,203)</b>	<b>(234,467)</b>	<b>-</b>	<b>(9,257)</b>	<b>(9,257)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Transfer from (to) reserves	53,736	-	(53,736)	-	-	-
Transfer from (to) other funds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
<b>Net nonoperating revenues (expenses)</b>	<b>53,736</b>	<b>-</b>	<b>(53,736)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss)</b>	<b>\$ -</b>	<b>\$ (288,203)</b>	<b>\$(288,203)</b>	<b>\$ -</b>	<b>\$ (9,257)</b>	<b>\$ (9,257)</b>
<b>OTHER BUDGETED EXPENDITURES:</b>						
Capital outlay	\$ -			\$ -		
<b>Total other budgeted expenditures</b>	<b>-</b>			<b>-</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<u>Shared Facilities</u>			<u>Combined Totals</u>		
<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
\$ -	\$ -	\$ -	\$ 11,187,690	\$ 11,772,607	\$ 584,917
-	-	-	134,200	142,887	8,687
-	25,923	25,923	161,875	2,649,249	2,487,374
-	25,923	25,923	11,483,765	14,564,743	3,080,978
-	15,002	(15,002)	4,911,029	4,854,444	56,585
-	-	-	938,713	937,450	1,263
-	7,619	(7,619)	4,057,096	4,482,109	(425,013)
-	-	-	158,914	145,438	13,476
-	-	-	726,962	726,961	1
-	22,621	(22,621)	10,792,714	11,146,402	(353,688)
-	3,302	3,302	691,051	3,418,341	2,727,290
-	-	-	-	3,344,747	(3,344,747)
-	3,302	3,302	691,051	73,594	(617,457)
-	-	-	(110,051)	-	110,051
-	-	-	-	2,671,599	2,671,599
-	-	-	-	10,728	10,728
-	-	-	26,000	26,000	-
-	-	-	5,000	24,535	19,535
-	-	-	(79,051)	2,732,862	2,811,913
\$ -	\$ 3,302	\$ 3,302	\$ 612,000	\$ 2,806,456	\$ 2,194,456
\$ -			\$ (612,000)		
-			(612,000)		
\$ -			\$ -		

WORCESTER COUNTY, MARYLAND  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET POSITION - CAPITAL PROJECTS FUNDS  
 DEPARTMENT OF WATER AND WASTEWATER SERVICES  
 Year Ended June 30, 2019

	West Ocean City S.A.	Ocean Pines S.A.	Oyster Harbor S.A.	Newark Service Area
Revenues:				
Debt service revenue	\$ -	\$ 1,361,535	\$ 51,408	\$ 22,464
Other revenues	-	50,863	-	-
<b>Total revenues</b>	<b>-</b>	<b>1,412,398</b>	<b>51,408</b>	<b>22,464</b>
<b>Operating income (loss)</b>	<b>-</b>	<b>1,412,398</b>	<b>51,408</b>	<b>22,464</b>
Nonoperating income (expense):				
Interest on investments	964	58,028	634	7
Bond interest expense	(230)	(292,179)	(5,350)	(3,218)
Transfers from (to) other funds	-	-	-	-
<b>Total nonoperating income (expense)</b>	<b>734</b>	<b>(234,151)</b>	<b>(4,716)</b>	<b>(3,211)</b>
Change in net position	734	1,178,247	46,692	19,253
Net position (deficit), beginning	44,165	(3,409,651)	(98,321)	(221,005)
<b>Net position (deficit), ending</b>	<b>\$ 44,899</b>	<b>\$ (2,231,404)</b>	<b>\$ (51,629)</b>	<b>\$ (201,752)</b>

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	Riddle Farm <u>S.A.</u>	<u>Total</u>
\$ -	\$ -	\$ 442,214	\$ 34,450	\$ -	\$ 1,912,071
349	101	716,203	-	605	768,121
349	101	1,158,417	34,450	605	2,680,192
349	101	1,158,417	34,450	605	2,680,192
-	-	29,721	-	666	90,020
-	-	(272,579)	(2,528)	(3,659)	(579,743)
-	-	(2,671,599)	-	-	(2,671,599)
-	-	(2,914,457)	(2,528)	(2,993)	(3,161,322)
349	101	(1,756,040)	31,922	(2,388)	(481,130)
(349)	(101)	(7,855,141)	(195,750)	-	(11,736,153)
\$ -	\$ -	\$ (9,611,181)	\$ (163,828)	\$ (2,388)	\$ (12,217,283)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL  
DEPARTMENT OF SOLID WASTE  
Year Ended June 30, 2019

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Operating revenues:			
Licenses and permits	\$ 355,000	\$ 334,135	\$ (20,865)
Recycling charges	183,200	190,636	7,436
Stump, yard waste, and mulch revenue	35,000	49,215	14,215
Interest and penalties on overdue accounts	1,600	1,979	379
Other revenue	225,000	26,230	(198,770)
Tipping fees	3,250,000	3,659,901	409,901
<u>Total operating revenues</u>	<u>4,049,800</u>	<u>4,262,096</u>	<u>212,296</u>
<u>Total operating expenses</u>	<u>4,529,816</u>	<u>4,174,525</u>	<u>355,291</u>
Operating income (loss) before depreciation	(480,016)	87,571	567,587
<u>Depreciation</u>	<u>600,000</u>	<u>1,326,283</u>	<u>(726,283)</u>
Operating income (loss)	(1,080,016)	(1,238,712)	(158,696)
Nonoperating income (expense):			
Interest on investments	5,000	76,569	71,569
Sale of capital assets	-	20,500	20,500
Transfer from General Fund	1,698,323	1,698,323	-
Transfer to reserves	260,193	-	(260,193)
Interest expense	(883,500)	(210,945)	672,555
<u>Total nonoperating income (expense)</u>	<u>1,080,016</u>	<u>1,584,447</u>	<u>504,431</u>
<u>Change in net position</u>	<u>\$ -</u>	<u>345,735</u>	<u>\$ 345,735</u>
Net position, beginning		<u>1,589,653</u>	
Net position, ending		<u>\$ 1,935,388</u>	

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL  
DEPARTMENT OF SOLID WASTE

Year Ended June 30, 2019

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
<b>Department: Administration</b>			
Salaries	\$ 111,178	\$ 114,219	\$ (3,041)
Benefits	86,147	74,903	11,244
Salaries and benefits - Treasurer's support	90,657	90,657	-
Salaries and benefits - Public Works and administrative support	198,871	198,871	-
Administrative expenses	17,575	12,281	5,294
Audit services	11,500	10,800	700
Insurance	12,250	12,961	(711)
Solid waste committee	1,500	650	850
Supplies	-	35	(35)
Uniforms	700	-	700
	<u>530,378</u>	<u>515,377</u>	<u>15,001</u>
<b>Department: Solid Waste</b>			
Salaries	896,118	834,151	61,967
Benefits	704,635	589,097	115,538
Buildings and grounds	135,000	101,997	33,003
Capital equipment	175,000	-	175,000
Closure and post-closure costs	400,000	686,165	(286,165)
Consulting services	125,000	118,850	6,150
Fuel	200,000	146,726	53,274
Leachate expense	195,000	203,105	(8,105)
Safety expense	1,335	675	660
Supplies and equipment	18,290	3,101	15,189
Telephone	5,000	3,267	1,733
Training	1,649	1,394	255
Uniforms	8,750	5,993	2,757
Utilities	30,000	28,712	1,288
Vehicle and heavy equipment maintenance	208,500	157,004	51,496
	<u>3,104,277</u>	<u>2,880,237</u>	<u>224,040</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL  
DEPARTMENT OF SOLID WASTE

Year Ended June 30, 2019

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
<b>Department: Recycling</b>			
Salaries	\$ 339,262	\$ 339,261	\$ 1
Benefits	252,145	256,249	(4,104)
Buildings and grounds	30,000	36,858	(6,858)
Capital equipment	74,000	-	74,000
Fuel	50,000	36,267	13,733
Removal expenses	17,000	20,089	(3,089)
Safety expense	2,000	719	1,281
Special events	47,000	18,339	28,661
Supplies and equipment	12,290	7,524	4,766
Telephone	3,500	2,058	1,442
Training	1,314	423	891
Uniforms	3,150	3,126	24
Utilities	30,000	26,336	3,664
Vehicle and heavy equipment maintenance	33,500	31,662	1,838
	895,161	778,911	116,250
<b>Total operating expenses</b>	<b>\$ 4,529,816</b>	<b>\$ 4,174,525</b>	<b>\$ 355,291</b>

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND**  
**NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL**  
**DEPARTMENT OF LIQUOR CONTROL**  
**Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Sales:			
Pocomoke City	\$ 915,000	\$ 850,904	\$ (64,096)
Total sales	915,000	850,904	(64,096)
Miscellaneous revenues	-	94,192	94,192
Total operating revenues	915,000	945,096	30,096
Cost of goods sold	622,200	625,157	(2,957)
Gross profit	292,800	319,939	27,139
Total operating expenses	237,750	318,894	(81,144)
Operating income (loss) before general expenses	55,050	1,045	(54,005)
General expenses	52,450	55,418	(2,968)
Operating income (loss)	2,600	(54,373)	(56,973)
Nonoperating income (expenses):			
Interest expense	-	-	-
Total nonoperating income (expenses)	-	-	-
Change in net position before distributions	2,600	(54,373)	(56,973)
Distributions to municipalities	(2,600)	-	2,600
Change in net position after distributions	\$ -	(54,373)	\$ (54,373)
Net deficit, beginning		(650,162)	
Net deficit, ending		\$ (704,535)	

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND**  
**NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL**  
**DEPARTMENT OF LIQUOR CONTROL**  
**Year Ended June 30, 2019**  
**(CONTINUED)**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
<b>Store: Pocomoke City</b>			
Salaries	\$ 92,000	\$ 71,942	\$ 20,058
Payroll taxes and benefits	49,000	36,819	12,181
Bank fees	14,000	13,595	405
Outsourced labor	60,000	80,117	(20,117)
Repairs and maintenance	5,000	3,932	1,068
Security	250	332	(82)
Supplies	2,000	3,743	(1,743)
Telephone	4,000	3,398	602
Utilities	11,500	9,879	1,621
	<u>237,750</u>	<u>223,757</u>	<u>13,993</u>
<b>Store: 16th Street - Ocean City</b>			
Rent	-	95,137	(95,137)
	-	95,137	(95,137)
<b>Total expenses</b>	<b>\$ 237,750</b>	<b>\$ 318,894</b>	<b>\$ (81,144)</b>

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF GENERAL EXPENSES - BUDGET AND ACTUAL  
 DEPARTMENT OF LIQUOR CONTROL  
 Year Ended June 30, 2019

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
General and administrative expenses:			
Salaries and benefits - Treasurer's support	\$ 10,400	\$ 10,400	\$ -
Salaries and benefits - Public works and administrative support	2,850	2,850	-
Group insurance	2,000	1,801	199
Advertising	1,500	9,231	(7,731)
Depreciation	-	15,960	(15,960)
Dues	-	24	(24)
Professional fees	35,000	14,498	20,502
Travel	500	654	(154)
Uniforms	200	-	200
<b>Total general and administrative expenses</b>	<b>\$ 52,450</b>	<b>\$ 55,418</b>	<b>\$ (2,968)</b>



WORCESTER COUNTY, MARYLAND  
SCHEDULE OF REVENUES AND EXPENSES BY STORE  
DEPARTMENT OF LIQUOR CONTROL  
Year Ended June 30, 2019

	2019 Total	Percentage	Total Retail	Pocomoke City	16th Street
Sales:					
Retail, less discounts	\$ 850,904		\$ 850,904	\$ 850,904	\$ -
Net sales	850,904		850,904	850,904	-
Miscellaneous revenues	94,192		94,192	134	94,058
Net revenues	945,096	100.00%	945,096	851,038	94,058
Cost of sales	625,157	66.15%	625,157	625,157	-
Gross profit	319,939	33.85%	319,939	225,881	94,058
Store expenses:					
Salaries	71,942	7.61%	71,942	71,942	-
Credit card and bank fees	13,595	1.44%	13,595	13,595	-
Utilities	9,879	1.05%	9,879	9,879	-
Payroll taxes and benefits	36,819	3.90%	36,819	36,819	-
Outsourced labor	80,117	8.48%	80,117	80,117	-
Rent	95,137	10.07%	95,137	-	95,137
Repairs and maintenance	3,932	0.42%	3,932	3,932	-
Security	332	0.04%	332	332	-
Supplies	3,743	0.40%	3,743	3,743	-
Telephone	3,398	0.36%	3,398	3,398	-
	318,894	33.74%	318,894	223,757	95,137
Loss after store expenses	1,045	0.11%	1,045	2,124	(1,079)
General expenses	55,418	5.86%	55,418	55,418	-
Loss from operations	(54,373)	-5.75%	(54,373)	(53,294)	(1,079)
Other income (expenses):					
Financial expense, net	-	0.00%	-	-	-
	-	0.00%	-	-	-
Net income (loss)	\$ (54,373)	-5.75%	\$ (54,373)	\$ (53,294)	\$ (1,079)

**WORCESTER COUNTY, MARYLAND**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
 June 30, 2019

	State of Maryland Property <u>Taxes</u>	Maryland Department of Motor Vehicles - <u>License Fees</u>	Tax Sale <u>Fund</u>	Development <u>Taxes</u>	Performance <u>Bonds</u>	Personal Property Tax <u>Liability</u>	Forest <u>Conservation</u>
<b>ASSETS</b>							
Cash and short-term investments	\$ -	\$ 8,833	\$ 428,360	\$ 27,740	\$ 1,295,468	\$ 145,933	\$ 115,798
Taxes receivable	390,750	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
<b>Total assets</b>	<b>390,750</b>	<b>8,833</b>	<b>428,360</b>	<b>27,740</b>	<b>1,295,468</b>	<b>145,933</b>	<b>115,798</b>
<b>LIABILITIES</b>							
Due to other governmental units	390,750	8,833	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Other liabilities	-	-	428,360	27,740	1,295,468	145,933	115,798
<b>Total liabilities</b>	<b>390,750</b>	<b>8,833</b>	<b>428,360</b>	<b>27,740</b>	<b>1,295,468</b>	<b>145,933</b>	<b>115,798</b>
<b>NET POSITION</b>							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Bay Restoration</u>	<u>Snow Hill Property Tax</u>	<u>Berlin Property Tax</u>	<u>Pocomoke Property Tax</u>	<u>Ocean City Property Tax</u>	<u>Special Loans</u>	<u>Critical Areas</u>	<u>Seized Funds Pending Forfeiture</u>	<u>Total</u>
\$ 100,818	\$ -	\$ -	\$ -	\$ -	\$ 15,857	\$ 76,152	\$ 325,316	\$ 2,540,275
93,876	33,020	64,059	157,850	877,449	-	-	-	1,617,004
-	-	-	-	-	-	-	-	-
194,694	33,020	64,059	157,850	877,449	15,857	76,152	325,316	4,157,279
194,694	33,020	64,059	157,850	877,449	-	-	-	1,726,655
-	-	-	-	-	-	-	-	-
-	-	-	-	-	15,857	76,152	325,316	2,430,624
194,694	33,020	64,059	157,850	877,449	15,857	76,152	325,316	4,157,279
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2019

	Cash	Taxes Receivable	Due from	Total Assets
<b>MARYLAND STATE PROPERTY TAX</b>				
Balance 7/1/2018	\$ -	\$ 397,451	\$ -	\$ 397,451
Additions	-	16,931,925	-	16,931,925
Deductions	-	(16,938,626)	-	(16,938,626)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ 390,750</u>	<u>\$ -</u>	<u>\$ 390,750</u>
<b>MARYLAND VEHICLE - LICENSE FEES</b>				
Balance 7/1/2018	\$ 12,041	\$ -	\$ -	\$ 12,041
Additions	297,755	-	-	297,755
Deductions	(300,963)	-	-	(300,963)
Balance 6/30/2019	<u>\$ 8,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,833</u>
<b>TAX SALE FUND</b>				
Balance 7/1/2018	\$ 753,942	\$ -	\$ -	\$ 753,942
Additions	357,541	-	-	357,541
Deductions	(683,123)	-	-	(683,123)
Balance 6/30/2019	<u>\$ 428,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,360</u>
<b>DEVELOPMENT TAXES</b>				
Balance 7/1/2018	\$ 111,963	\$ -	\$ -	\$ 111,963
Additions	25,707	-	-	25,707
Deductions	(109,930)	-	-	(109,930)
Balance 6/30/2019	<u>\$ 27,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,740</u>
<b>PERFORMANCE BONDS</b>				
Balance 7/1/2018	\$ 1,255,491	\$ -	\$ -	\$ 1,255,491
Additions	280,705	-	-	280,705
Deductions	(240,728)	-	-	(240,728)
Balance 6/30/2019	<u>\$ 1,295,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,468</u>
<b>PERSONAL PROPERTY TAX LIABILITY</b>				
Balance 7/1/2018	\$ 149,869	\$ -	\$ -	\$ 149,869
Additions	32,297	-	-	32,297
Deductions	(36,233)	-	-	(36,233)
Balance 6/30/2019	<u>\$ 145,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,933</u>
<b>FOREST CONSERVATION</b>				
Balance 7/1/2018	\$ 115,464	\$ -	\$ -	\$ 115,464
Additions	334	-	-	334
Deductions	-	-	-	-
Balance 6/30/2019	<u>\$ 115,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,798</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 397,451	\$ -	\$ 397,451
-	16,938,626	-	16,938,626
-	(16,945,327)	-	(16,945,327)
<u>\$ -</u>	<u>\$ 390,750</u>	<u>\$ -</u>	<u>\$ 390,750</u>
\$ -	\$ 12,041	\$ -	\$ 12,041
-	294,547	-	294,547
-	(297,755)	-	(297,755)
<u>\$ -</u>	<u>\$ 8,833</u>	<u>\$ -</u>	<u>\$ 8,833</u>
\$ 52,101	\$ -	\$ 701,841	\$ 753,942
-	-	357,541	357,541
(52,101)	-	(631,022)	(683,123)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,360</u>	<u>\$ 428,360</u>
\$ -	\$ 5,138	\$ 106,825	\$ 111,963
-	-	25,707	25,707
-	(5,138)	(104,792)	(109,930)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,740</u>	<u>\$ 27,740</u>
\$ -	\$ -	\$ 1,255,491	\$ 1,255,491
-	-	280,705	280,705
-	-	(240,728)	(240,728)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,468</u>	<u>\$ 1,295,468</u>
\$ -	\$ -	\$ 149,869	\$ 149,869
-	-	32,297	32,297
-	-	(36,233)	(36,233)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,933</u>	<u>\$ 145,933</u>
\$ -	\$ -	\$ 115,464	\$ 115,464
-	-	334	334
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,798</u>	<u>\$ 115,798</u>

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2019

(CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
<b>BAY RESTORATION</b>				
Balance 7/1/2018	\$ 93,696	\$ 101,192	\$ -	\$ 194,888
Additions	259,239	705,480	-	964,719
Deductions	(252,117)	(712,796)	-	(964,913)
Balance 6/30/2019	<u>\$ 100,818</u>	<u>\$ 93,876</u>	<u>\$ -</u>	<u>\$ 194,694</u>
<b>SNOW HILL PROPERTY TAX</b>				
Balance 7/1/2018	\$ -	\$ 38,434	\$ -	\$ 38,434
Additions	-	923,156	-	923,156
Deductions	-	(928,570)	-	(928,570)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ 33,020</u>	<u>\$ -</u>	<u>\$ 33,020</u>
<b>BERLIN PROPERTY TAX</b>				
Balance 7/1/2018	\$ -	\$ 87,568	\$ -	\$ 87,568
Additions	-	2,872,596	-	2,872,596
Deductions	-	(2,896,105)	-	(2,896,105)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ 64,059</u>	<u>\$ -</u>	<u>\$ 64,059</u>
<b>POCOMOKE PROPERTY TAX</b>				
Balance 7/1/2018	\$ -	\$ 176,380	\$ -	\$ 176,380
Additions	-	2,544,066	-	2,544,066
Deductions	-	(2,562,596)	-	(2,562,596)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ 157,850</u>	<u>\$ -</u>	<u>\$ 157,850</u>
<b>OCEAN CITY PROPERTY TAX</b>				
Balance 7/1/2018	\$ -	\$ 804,356	\$ -	\$ 804,356
Additions	-	41,185,491	-	41,185,491
Deductions	-	(41,112,398)	-	(41,112,398)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ 877,449</u>	<u>\$ -</u>	<u>\$ 877,449</u>
<b>SPECIAL LOANS</b>				
Balance 7/1/2018	\$ 56,806	\$ -	\$ -	\$ 56,806
Additions	88,658	-	-	88,658
Deductions	(129,607)	-	-	(129,607)
Balance 6/30/2019	<u>\$ 15,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,857</u>
<b>CRITICAL AREAS</b>				
Balance 7/1/2018	\$ 75,962	\$ -	\$ -	\$ 75,962
Additions	190	-	-	190
Deductions	-	-	-	-
Balance 6/30/2019	<u>\$ 76,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,152</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 194,888	\$ -	\$ 194,888
-	715,612	-	715,612
-	(715,806)	-	(715,806)
<u>\$ -</u>	<u>\$ 194,694</u>	<u>\$ -</u>	<u>\$ 194,694</u>
\$ -	\$ 38,434	\$ -	\$ 38,434
-	923,156	-	923,156
-	(928,570)	-	(928,570)
<u>\$ -</u>	<u>\$ 33,020</u>	<u>\$ -</u>	<u>\$ 33,020</u>
\$ -	\$ 87,568	\$ -	\$ 87,568
-	2,872,596	-	2,872,596
-	(2,896,105)	-	(2,896,105)
<u>\$ -</u>	<u>\$ 64,059</u>	<u>\$ -</u>	<u>\$ 64,059</u>
\$ -	\$ 176,380	\$ -	\$ 176,380
-	2,544,066	-	2,544,066
-	(2,562,596)	-	(2,562,596)
<u>\$ -</u>	<u>\$ 157,850</u>	<u>\$ -</u>	<u>\$ 157,850</u>
\$ -	\$ 804,356	\$ -	\$ 804,356
-	41,185,491	-	41,185,491
-	(41,112,398)	-	(41,112,398)
<u>\$ -</u>	<u>\$ 877,449</u>	<u>\$ -</u>	<u>\$ 877,449</u>
\$ -	\$ -	\$ 56,806	\$ 56,806
-	-	88,658	88,658
-	-	(129,607)	(129,607)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,857</u>	<u>\$ 15,857</u>
\$ -	\$ -	\$ 75,962	\$ 75,962
-	-	190	190
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,152</u>	<u>\$ 76,152</u>

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2019

(CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
<b>SEIZED FUNDS PENDING FORFEITURE</b>				
Balance 7/1/2018	\$ 343,355	\$ -	\$ -	\$ 343,355
Additions	176,909	-	-	176,909
Deductions	(194,948)	-	-	(194,948)
Balance 6/30/2019	<u>\$ 325,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,316</u>
<b>OCEAN CITY FOOD TAX</b>				
Balance 7/1/2018	\$ -	\$ -	\$ -	\$ -
Additions	-	1,506,795	-	1,506,795
Deductions	-	(1,506,795)	-	(1,506,795)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>SNOW HILL ROOM TAX</b>				
Balance 7/1/2018	\$ -	\$ -	\$ -	\$ -
Additions	-	12,458	-	12,458
Deductions	-	(12,458)	-	(12,458)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BERLIN ROOM TAX</b>				
Balance 7/1/2018	\$ -	\$ -	\$ -	\$ -
Additions	-	37,235	-	37,235
Deductions	-	(37,235)	-	(37,235)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>POCOMOKE ROOM TAX</b>				
Balance 7/1/2018	\$ -	\$ -	\$ -	\$ -
Additions	-	131,599	-	131,599
Deductions	-	(131,599)	-	(131,599)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OCEAN CITY ROOM TAX</b>				
Balance 7/1/2018	\$ -	\$ -	\$ -	\$ -
Additions	-	16,031,485	-	16,031,485
Deductions	-	(16,031,485)	-	(16,031,485)
Balance 6/30/2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTALS</b>				
Balance 7/1/2018	\$ 2,968,589	\$ 1,605,381	\$ -	\$ 4,573,970
Additions	1,519,335	82,882,286	-	84,401,621
Deductions	(1,947,649)	(82,870,663)	-	(84,818,312)
Balance 6/30/2019	<u>\$ 2,540,275</u>	<u>\$ 1,617,004</u>	<u>\$ -</u>	<u>\$ 4,157,279</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ -	\$ 343,355	\$ 343,355
-	-	178,526	178,526
-	-	(196,565)	(196,565)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,316</u>	<u>\$ 325,316</u>
\$ -	\$ -	\$ -	\$ -
-	1,506,795	-	1,506,795
-	(1,506,795)	-	(1,506,795)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	12,458	-	12,458
-	(12,458)	-	(12,458)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	37,235	-	37,235
-	(37,235)	-	(37,235)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	131,599	-	131,599
-	(131,599)	-	(131,599)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	16,031,485	-	16,031,485
-	(16,031,485)	-	(16,031,485)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 52,101	\$ 1,716,256	\$ 2,805,613	\$ 4,573,970
-	83,193,666	963,958	84,157,624
(52,101)	(83,183,267)	(1,338,947)	(84,574,315)
<u>\$ -</u>	<u>\$ 1,726,655</u>	<u>\$ 2,430,624</u>	<u>\$ 4,157,279</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASE

GENERAL FUND

Year Ended June 30, 2019

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 15,475,494,970	\$ 69,256,049	\$ 15,544,751,019
Personal property - individuals and firms - all districts	15,702,612	-	15,702,612
Railroads and public utilities	159,405,701	-	159,405,701
Railroads and public utilities - reduced rate	785,748	-	785,748
Ordinary business corporations	202,793,725	-	202,793,725
<b>Total</b>	<b>\$ 15,854,182,756</b>	<b>\$ 69,256,049</b>	<b>\$ 15,923,438,805</b>

Computation of Taxes for County Purposes

\$15,475,494,970 assessable base at \$0.835 per \$100 base (full-year)	\$ 129,220,383
\$377,902,038 assessable base at \$2.0875 per \$100 base (full-year)	7,888,705
\$785,748 assessable base at \$0.835 per \$100 base (full-year)	6,561
\$69,256,049 assessable base at \$0.4175 per \$100 base (half-year)	289,144
	137,404,793
Adjustment for deferred property taxes receivable	527,545
Net additions and abatements	(188,445)
<b>Total County taxes for the year ended June 30, 2019</b>	<b>\$ 137,743,893</b>

WORCESTER COUNTY, MARYLAND  
SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES  
GENERAL FUND  
Fiscal Years Ended June 30, 2019

<u>Fiscal Year</u>	<u>Assessable Base at June 30</u>	<u>Percentage Change From Prior Year</u>	<u>Tax Rate</u>	<u>Taxes</u>	<u>Percentage Change From Prior Year</u>
1994 - 1995	\$ 2,288,466,700	1.69%	1.68	\$ 38,367,332	1.69%
1995 - 1996	2,309,492,502	0.92%	1.68	38,687,619	0.83%
1996 - 1997	2,380,191,243	3.06%	1.68	39,864,643	3.04%
1997 - 1998	2,426,505,995	1.95%	1.72	41,606,010	4.37%
1998 - 1999	2,491,029,177	2.66%	1.72	42,705,429	2.64%
1999 - 2000	2,586,502,181	3.83%	1.74	44,830,570	4.98%
2000 - 2001	2,712,238,607	4.86%	1.74	46,883,527	4.58%
2001 - 2002	6,748,561,217 *	(0.47)%	.73 - 1.825	52,068,932	11.06%
2002 - 2003	7,264,345,677	7.64%	.73 - 1.825	56,057,444	7.66%
2003 - 2004	8,441,544,002	16.21%	.73 - 1.825	64,473,123	15.01%
2004 - 2005	10,074,216,702	19.34%	.73 - 1.825	76,196,731	18.18%
2005 - 2006	11,906,248,133	18.19%	.73 - 1.825	89,397,911	17.33%
2006 - 2007	14,580,162,820	22.46%	.70 - 1.750	104,613,265	17.02%
2007 - 2008	17,371,368,530	19.14%	.70 - 1.750	124,489,545	19.00%
2008 - 2009	20,247,338,533	16.56%	.70 - 1.750	144,925,736	16.42%
2009 - 2010	19,301,510,253	(4.67)%	.70 - 1.750	138,391,588	(4.51)%
2010 - 2011	18,130,187,255	(6.07)%	.70 - 1.750	130,012,598	(6.05)%
2011 - 2012	17,522,393,962	(3.35)%	.70 - 1.750	125,901,362	(3.16)%
2012 - 2013	15,775,515,175	(9.97)%	.77 - 1.925	125,175,667	(0.58)%
2013 - 2014	15,069,853,304	(4.47)%	.77 - 1.925	119,266,630	(4.72)%
2014 - 2015	14,888,348,699	(1.20)%	.77 - 1.925	119,042,321	(0.19)%
2015 - 2016	14,885,658,093	(0.02)%	.835 - 2.0875	128,059,010	7.57%
2016 - 2017	15,193,940,789	2.07%	.835 - 2.0875	131,175,473	2.43%
2017 - 2018	15,561,696,352	2.42%	.835 - 2.0875	133,807,437	2.01%
2018 - 2019	15,923,438,805	2.32%	.835 - 2.0875	137,743,893	2.94%

\* Effective in fiscal year 2002, the State of Maryland converted to a full cash value for assessment purposes.  
Prior to fiscal year 2002, the State of Maryland assessed properties at 40% of market value.

WORCESTER COUNTY, MARYLAND

TAXES RECEIVABLE

GENERAL FUND

June 30, 2019

Levies of years ended June 30:

2019	\$ 2,989,667
2018	111,842
2017	89,729
2016	73,138
2015 and prior	179,518
<b>Total</b>	<b>\$ 3,443,894</b>

## NOTES TO OTHER SUPPLEMENTARY INFORMATION

### **Note 1. Budgetary Basis**

Other supplementary information includes financial statements and schedules that are not required by the Governmental Accounting Standards Board, nor are they considered part of the basic financial statements. Such information is included for purposes of additional analysis. The budgetary information contained in this section is prepared and adopted on a basis consistent with generally accepted accounting principles. Such statements and schedules include:

#### Budgetary Comparison Schedules:

- General Fund
- Department of Water and Wastewater Services
- Department of Solid Waste
- Department of Liquor Control

### **Note 2. Actual Expenditures over Budget**

Expenditures in the General Fund exceeded the budget primarily related to increased room, income, and food taxes. Revenues related to room, income, and food taxes are collected by the County and offset the additional expenditures.

## STATISTICAL SECTION

*This part of Worcester County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health. The Statistical Section contains data which usually covers more than one year and may present non-accounting data. As a result, this section of the report is unaudited.*

### Contents

### Schedule

#### **Financial Trends**

**1 – 4**

*These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.*

#### **Revenue Capacity**

**5 – 11**

*These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.*

#### **Debt Capacity**

**12 – 15**

*These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.*

#### **Demographic and Economic Information**

**16 – 17**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.*

#### **Operating Information**

**18 – 20**

*These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.*

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the financial reports for the relevant year. The County implemented GASB Statement Number 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

**Schedule 1**  
**Worcester County, Maryland**  
**Net Position by Component, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 104,803,212	\$ 100,290,019	\$ 99,870,348	\$ 90,110,170	\$ 86,424,881	\$ 86,671,386	\$ 77,759,097	\$ 82,846,858	\$ 86,692,388	\$ 89,332,799
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>3,776,962</u>	<u>4,029,977</u>	<u>11,260,873</u>	<u>21,389,838</u>	<u>(5,573,996)</u>	<u>(28,314,942)</u>	<u>(22,728,680)</u>	<u>(25,490,273)</u>	<u>(66,318,716)</u>	<u>(66,292,500)</u>
Total governmental activities net position	<u>108,580,174</u>	<u>104,319,996</u>	<u>111,131,221</u>	<u>111,500,008</u>	<u>80,850,885</u>	<u>58,356,444</u>	<u>55,030,417</u>	<u>57,356,585</u>	<u>20,373,672</u>	<u>23,040,299</u>
<b>Business-type activities</b>										
Net investment in capital assets	56,312,951	55,935,777	54,334,765	59,302,023	53,642,591	55,184,962	53,420,609	58,358,305	61,943,999	61,719,892
Unrestricted	<u>4,250,752</u>	<u>1,158,971</u>	<u>1,912,977</u>	<u>27,420</u>	<u>4,651,348</u>	<u>571,926</u>	<u>30,886</u>	<u>(3,737,553)</u>	<u>(4,778,123)</u>	<u>(1,937,328)</u>
Total business-type activities net position	<u>60,563,703</u>	<u>57,094,748</u>	<u>56,247,742</u>	<u>59,329,443</u>	<u>58,293,939</u>	<u>55,756,888</u>	<u>53,451,495</u>	<u>54,620,752</u>	<u>57,165,876</u>	<u>59,782,564</u>
<b>Primary government</b>										
Net investment in capital assets	161,116,163	156,225,796	154,205,113	149,412,193	140,067,472	141,856,348	131,179,706	141,205,163	148,636,387	151,052,691
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>8,027,714</u>	<u>5,188,948</u>	<u>13,173,850</u>	<u>21,417,258</u>	<u>(922,648)</u>	<u>(27,743,016)</u>	<u>(22,697,794)</u>	<u>(29,227,826)</u>	<u>(71,096,839)</u>	<u>(68,229,828)</u>
Total primary government net position	<u>\$ 169,143,877</u>	<u>\$ 161,414,744</u>	<u>\$ 167,378,963</u>	<u>\$ 170,829,451</u>	<u>\$ 139,144,824</u>	<u>\$ 114,113,332</u>	<u>\$ 108,481,912</u>	<u>\$ 111,977,337</u>	<u>\$ 77,539,548</u>	<u>\$ 82,822,863</u>

**Notes:** Fiscal years prior to 2014 have not been restated for the effects of implementing GASB Statement No. 68

Fiscal year 2015 has been restated to recognize deferred outflows related to the advance refunding of portions of the County's 2007 and 2008 bond issues

Fiscal years prior 2018 have not been restated for the effects of implementing GASB Statement No. 75

**Schedule 2**  
**Worcester County, Maryland**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 35,859,173	\$ 37,627,186	\$ 38,001,439	\$ 38,915,371	\$ 41,815,245	\$ 38,635,684	\$ 44,076,570	\$ 44,311,285	\$ 38,378,190	\$ 27,275,158
Public safety	28,381,381	28,164,200	29,409,797	33,952,043	31,088,753	31,973,300	31,539,249	33,626,987	36,229,150	37,741,726
Public works	9,985,598	10,211,713	6,579,810	6,582,195	6,843,212	5,217,371	5,567,728	4,850,672	8,808,385	7,810,742
Health and hospitals	5,889,198	4,841,634	5,414,163	5,379,303	6,003,573	6,551,417	6,377,497	6,657,023	6,597,319	6,691,645
Social services	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417	2,290,971	2,444,405
Education	91,515,958	85,169,388	75,683,870	77,254,710	84,004,053	100,313,254	93,437,468	94,649,729	92,556,477	99,447,577
Libraries, recreation and culture	6,141,887	5,479,418	5,301,793	5,322,151	5,438,515	6,092,227	5,258,231	5,905,393	6,049,573	7,147,979
Conservation of natural resources	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671	712,005	849,887
Economic development	1,409,693	1,755,183	2,094,400	1,947,815	1,667,636	1,932,046	1,631,443	1,686,229	1,711,548	1,634,878
Interest on long-term debt	3,693,496	3,411,269	3,092,624	2,601,958	2,428,386	4,891,421	3,874,043	4,076,145	3,704,618	2,852,292
Total governmental activities expenses	<u>185,716,766</u>	<u>179,385,356</u>	<u>168,100,912</u>	<u>173,981,217</u>	<u>181,411,200</u>	<u>197,928,555</u>	<u>194,335,639</u>	<u>198,224,551</u>	<u>197,038,236</u>	<u>193,896,289</u>
Business-type activities:										
Department of Solid Waste	6,910,451	5,460,265	5,307,959	5,424,173	5,513,619	5,638,012	4,183,293	4,367,047	4,092,967	5,691,253
Department of Water and Wastewater	11,849,234	11,925,133	11,671,743	11,502,025	12,351,756	13,409,381	14,035,346	13,691,072	14,466,207	15,060,164
Department of Liquor Control	-	-	15,213,363	15,102,811	15,518,122	10,477,998	7,929,512	6,076,646	1,032,268	999,469
Total business-type activities expenses	<u>18,759,685</u>	<u>17,385,398</u>	<u>32,193,065</u>	<u>32,029,009</u>	<u>33,383,497</u>	<u>29,525,391</u>	<u>26,148,151</u>	<u>24,134,765</u>	<u>19,591,442</u>	<u>21,750,886</u>
Total primary government expenses	<u>\$ 204,476,451</u>	<u>\$ 196,770,754</u>	<u>\$ 200,293,977</u>	<u>\$ 206,010,226</u>	<u>\$ 214,794,697</u>	<u>\$ 227,453,946</u>	<u>\$ 220,483,790</u>	<u>\$ 222,359,316</u>	<u>\$ 216,629,678</u>	<u>\$ 215,647,175</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,697,109	\$ 1,758,641	\$ 1,873,888	\$ 1,932,275	\$ 2,010,031	\$ 2,081,072	\$ 2,053,695	\$ 2,087,794	\$ 2,276,106	\$ 2,062,878
Public safety	2,817,223	4,955,974	6,025,129	6,182,160	5,616,912	5,143,953	5,513,482	6,030,900	5,803,127	5,651,824
Public works	131,126	85,384	79,893	75,543	79,207	87,884	75,713	88,721	98,986	107,201
Health and hospitals	429,184	418,806	457,086	434,917	435,267	431,421	431,643	430,894	444,284	447,883
Libraries, recreation and culture	252,138	191,097	182,130	196,705	236,546	312,460	349,348	361,834	364,513	353,870
Economic development	31,886	25,935	49,840	17,833	22,230	38,184	8,747	17,615	20,046	35,608
Operating grants and contributions	10,138,302	5,243,439	4,257,505	4,181,653	4,154,275	5,132,554	5,244,177	5,559,621	7,131,615	7,431,909
Capital grants and contributions	4,613,990	4,446,811	2,078,722	1,546,506	1,220,927	1,861,970	1,936,382	1,984,522	2,932,654	1,043,469
Total governmental activities program revenues	<u>20,110,958</u>	<u>17,126,087</u>	<u>15,004,193</u>	<u>14,567,592</u>	<u>13,775,395</u>	<u>15,089,498</u>	<u>15,613,187</u>	<u>16,561,901</u>	<u>19,071,331</u>	<u>17,134,642</u>
Business-type activities:										
Charges for services:										
Department of Solid Waste	3,847,393	3,805,409	4,590,998	4,182,238	3,783,926	4,060,039	4,004,384	3,757,085	4,005,295	4,262,096
Department of Water and Wastewater	9,570,821	10,068,811	11,107,727	15,766,173	13,013,971	12,885,762	12,160,567	14,283,986	15,406,636	17,244,935
Department of Liquor Control	-	-	15,888,520	15,414,939	15,476,906	9,985,444	7,623,320	5,236,447	864,418	945,096
Operating grants and contributions	22,000	22,000	22,000	47,000	25,000	49,202	26,000	26,000	26,000	26,000
Total business-type activities program revenues	<u>13,440,214</u>	<u>13,896,220</u>	<u>31,609,245</u>	<u>35,410,350</u>	<u>32,299,803</u>	<u>26,980,447</u>	<u>23,814,271</u>	<u>23,303,518</u>	<u>20,302,349</u>	<u>22,478,127</u>
Total primary government program revenues	<u>\$ 33,551,172</u>	<u>\$ 31,022,307</u>	<u>\$ 46,613,438</u>	<u>\$ 49,977,942</u>	<u>\$ 46,075,198</u>	<u>\$ 42,069,945</u>	<u>\$ 39,427,458</u>	<u>\$ 39,865,419</u>	<u>\$ 39,373,680</u>	<u>\$ 39,612,769</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (165,605,808)	\$ (162,259,269)	\$ (153,096,719)	\$ (159,413,625)	\$ (167,635,805)	\$ (182,839,057)	\$ (178,722,452)	\$ (181,662,650)	\$ (177,966,905)	\$ (176,761,647)
Business-type activities	(5,319,471)	(3,489,178)	(583,820)	3,381,341	(1,083,694)	(2,544,944)	(2,333,880)	(831,247)	710,907	727,241
Total primary government net expense	<u>\$ (170,925,279)</u>	<u>\$ (165,748,447)</u>	<u>\$ (153,680,539)</u>	<u>\$ (156,032,284)</u>	<u>\$ (168,719,499)</u>	<u>\$ (185,384,001)</u>	<u>\$ (181,056,332)</u>	<u>\$ (182,493,897)</u>	<u>\$ (177,255,998)</u>	<u>\$ (176,034,406)</u>

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Property taxes	\$ 127,176,751	\$ 121,990,826	\$ 121,290,966	\$ 121,348,615	\$ 117,173,133	\$ 117,097,119	\$ 127,411,911	\$ 130,179,520	\$ 132,813,479	\$ 136,687,069
Local income tax	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694	22,260,250	23,172,123
Other local taxes	23,115,287	23,513,666	23,111,431	25,047,347	24,324,762	25,418,688	28,239,135	30,136,897	30,555,387	13,986,660
State shared	724,582	804,689	687,960	904,365	891,106	931,712	942,464	936,535	-	-
Department of Liquor Control distribution	55,853	363,568	103,626	620,428	284,609	9,005	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	(1,665,007)	(250,000)	-	-	-	-	-
Transfers in (out)	635,708	649,917	-	-	-	-	-	(1,336,264)	(1,666,323)	(1,698,323)
Interest	262,333	216,726	283,728	193,101	194,221	180,030	207,071	476,064	1,059,323	2,163,658
Other	-	-	1,530,161	656,711	690,527	3,017,731	663,960	704,372	618,739	5,117,087
Total governmental activities	<u>162,891,632</u>	<u>157,999,091</u>	<u>159,907,944</u>	<u>159,782,412</u>	<u>156,982,151</u>	<u>160,344,616</u>	<u>175,396,425</u>	<u>183,988,818</u>	<u>185,640,855</u>	<u>179,428,274</u>
Business-type activities:										
Transfers in (out)	-	-	(675,340)	(321,854)	(10,984)	-	-	1,336,264	1,666,323	1,698,323
Other	-	-	-	-	-	-	-	588,168	-	-
Interest	23,676	20,043	12,334	22,214	59,174	7,893	28,487	76,072	167,894	191,124
Total business-type activities	<u>23,676</u>	<u>20,043</u>	<u>(663,006)</u>	<u>(299,640)</u>	<u>48,190</u>	<u>7,893</u>	<u>28,487</u>	<u>2,000,504</u>	<u>1,834,217</u>	<u>1,889,447</u>
Total primary government	<u>\$ 162,915,308</u>	<u>\$ 158,019,134</u>	<u>\$ 159,244,938</u>	<u>\$ 159,482,772</u>	<u>\$ 157,030,341</u>	<u>\$ 160,352,509</u>	<u>\$ 175,424,912</u>	<u>\$ 185,989,322</u>	<u>\$ 187,475,072</u>	<u>\$ 181,317,721</u>
<b>Change in net position</b>										
Governmental activities	\$ (2,714,176)	\$ (4,260,178)	\$ 6,811,225	\$ 368,787	\$ (10,653,654)	\$ (22,494,441)	\$ (3,326,027)	\$ 2,326,168	\$ 7,673,950	\$ 2,666,627
Business-type activities	(5,295,795)	(3,469,135)	(1,246,826)	3,081,701	(1,035,504)	(2,537,051)	(2,305,393)	1,169,257	2,545,124	2,616,688
Total primary government	<u>\$ (8,009,971)</u>	<u>\$ (7,729,313)</u>	<u>\$ 5,564,399</u>	<u>\$ 3,450,488</u>	<u>\$ (11,689,158)</u>	<u>\$ (25,031,492)</u>	<u>\$ (5,631,420)</u>	<u>\$ 3,495,425</u>	<u>\$ 10,219,074</u>	<u>\$ 5,283,315</u>

Notes: Fiscal years prior to 2015 have not been restated for the effects of implementing GASB Statement No. 68

Fiscal year 2015 has been restated to recognize deferred outflows related to the advance refunding of portions of the County's 2007 and 2008 bond issues

Fiscal years prior 2018 have not been restated for the effects of implementing GASB Statement No. 75

Schedule 3  
Worcester County, Maryland  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ 2,619,871	\$ 130,079	\$ 110,609	\$ 102,938	\$ 103,849	\$ 5,255	\$ 106,655	\$ 134,238	\$ 59,544	\$ 8,556
Restricted										
Assigned	14,201,916	14,963,906	10,821,409	15,735,019	9,662,128	8,679,957	16,315,297	23,486,890	18,735,587	16,626,776
Unassigned	500,000	26,992,224	38,855,192	40,904,499	39,833,756	33,976,802	33,532,633	34,308,460	35,170,292	35,170,278
Total General Fund	<u>17,321,787</u>	<u>42,086,209</u>	<u>49,787,210</u>	<u>56,742,456</u>	<u>49,599,733</u>	<u>42,662,014</u>	<u>49,954,585</u>	<u>57,929,588</u>	<u>53,965,423</u>	<u>51,805,610</u>
All other governmental funds										
Restricted	-	1,225,068	-	-	42,954,786	31,685,392	18,055,520	1,655,852	-	34,728,744
Assigned	35,852,877	5,801,380	2,372,247	3,670,839	3,054,848	2,249,959	1,876,454	1,578,412	1,628,447	2,188,705
Unassigned	-	-	(599,589)	(1,247,996)	-	-	(13,457)	-	(554,039)	-
Total all other governmental funds	<u>35,852,877</u>	<u>7,026,448</u>	<u>1,772,658</u>	<u>2,422,843</u>	<u>46,009,634</u>	<u>33,935,351</u>	<u>19,918,517</u>	<u>3,234,264</u>	<u>1,074,408</u>	<u>36,917,449</u>
Total governmental funds	<u>\$ 53,174,664</u>	<u>\$ 49,112,657</u>	<u>\$ 51,559,868</u>	<u>\$ 59,165,299</u>	<u>\$ 95,609,367</u>	<u>\$ 76,597,365</u>	<u>\$ 69,873,102</u>	<u>\$ 61,163,852</u>	<u>\$ 55,039,831</u>	<u>\$ 88,723,059</u>

**Schedule 4**  
**Worcester County, Maryland**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Property tax	\$ 127,048,961	\$ 122,233,623	\$ 121,243,588	\$ 121,570,804	\$ 117,311,193	\$ 117,963,356	\$ 127,061,276	\$ 130,270,802	\$ 132,742,340	\$ 137,214,614
Income tax	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694	22,260,250	23,172,123
Room tax	11,808,110	12,449,817	13,262,770	13,632,599	14,127,887	14,707,093	15,564,805	16,398,656	16,877,349	1,043,596
Food tax	1,130,290	1,163,970	1,215,666	1,247,890	1,299,372	1,358,236	1,424,439	1,553,867	1,501,166	79,305
Transfer tax	3,254,790	3,194,074	2,595,376	2,912,623	3,165,274	3,278,524	4,158,215	4,271,320	4,400,977	4,631,429
Recordation tax	6,195,293	5,987,911	5,328,454	6,648,660	5,142,527	5,437,913	6,449,513	7,250,500	7,018,586	7,116,381
Other local taxes	726,804	717,894	709,165	605,575	589,702	636,922	642,163	662,554	757,309	1,115,949
Licenses and permits	1,712,306	1,735,427	1,739,111	1,756,502	1,854,757	1,917,527	1,896,140	1,964,838	2,131,974	1,959,788
* Intergovernmental	9,367,891	8,890,627	7,081,107	5,747,750	5,402,866	7,015,992	7,215,195	7,585,022	10,097,621	8,529,777
Service charges	3,490,909	6,002,590	6,833,192	8,417,639	7,521,417	6,915,882	7,265,304	7,778,109	6,647,971	6,459,709
Miscellaneous	863,649	817,611	1,673,075	830,237	869,043	741,127	894,974	946,352	857,191	5,604,217
Interest income	194,455	214,732	283,183	190,069	187,775	180,035	155,069	404,551	1,014,636	1,861,896
Total revenues	176,714,576	173,867,975	174,864,759	176,237,200	171,145,606	173,842,938	190,658,977	201,978,265	206,307,370	198,788,784
<b>Expenditures</b>										
General government	15,855,802	13,315,008	13,272,863	12,850,452	14,134,546	13,296,067	13,817,335	14,471,003	15,244,102	17,325,562
Public safety	27,534,380	25,877,097	26,513,127	31,157,171	28,621,374	29,173,284	30,032,349	31,692,896	33,806,134	35,402,667
Public works	5,246,775	5,569,252	4,273,829	4,641,049	4,726,992	5,104,405	5,533,978	6,593,857	6,868,097	6,773,851
Health and hospitals	5,494,946	4,937,219	4,900,545	5,060,999	5,472,143	6,083,778	5,972,819	6,136,576	6,352,671	6,218,443
Social services	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417	2,036,763	2,444,405
Education	80,309,872	74,817,429	75,683,870	77,254,710	80,510,956	100,313,254	93,437,468	85,965,082	92,556,477	99,447,577
Libraries, recreation and culture	5,504,621	5,141,859	5,133,304	4,674,945	5,517,089	6,052,818	6,041,560	5,376,686	5,529,816	6,695,951
Conservation of natural resources	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671	712,005	849,887
Economic development	1,081,193	1,426,683	1,762,761	1,897,159	1,610,180	1,874,591	1,590,410	1,624,752	1,652,589	1,577,718
Distributions to municipalities	18,770,287	19,357,791	20,317,357	20,450,152	21,871,051	22,572,176	23,471,593	24,828,030	25,062,659	8,032,840
Debt service interest	3,767,529	3,485,302	3,166,657	2,675,991	2,908,091	4,249,246	3,540,622	3,742,724	3,371,197	3,327,448
Debt service principal	7,271,910	7,522,974	7,824,044	7,393,498	7,628,103	9,487,482	7,940,134	8,197,986	8,952,180	8,654,694
Capital projects	16,635,132	13,754,003	7,046,175	3,084,228	7,788,332	2,005,481	3,431,562	18,009,658	8,620,378	6,699,794
Total expenditures	190,312,829	177,929,982	172,417,548	173,166,025	182,910,684	202,534,417	197,383,240	209,100,338	210,765,068	203,450,837
Excess of revenues over (under) expenditures	(13,598,253)	(4,062,007)	2,447,211	3,071,175	(11,765,078)	(28,691,479)	(6,724,263)	(7,122,073)	(4,457,698)	(4,662,053)
<b>Other financing sources (uses)</b>										
Issuance of long-term debt	-	-	-	14,212,936	48,209,146	37,437,354	-	-	-	40,043,602
Payment to bond refunding escrow agent	-	-	-	(9,678,680)	-	(27,757,877)	-	-	-	-
Transfers:										
Transfers in	20,328,314	20,328,314	11,214,335	11,467,814	14,458,054	19,908,436	17,469,180	17,469,746	22,440,497	19,872,169
Transfers out	(20,328,314)	(20,328,314)	(11,214,335)	(11,467,814)	(14,458,054)	(19,908,436)	(17,469,180)	(19,056,923)	(24,106,820)	(21,570,492)
Total other financing sources (uses)	-	-	-	4,534,256	48,209,146	9,679,477	-	(1,587,177)	(1,666,323)	38,345,279
Net change in fund balances	\$ (13,598,253)	\$ (4,062,007)	\$ 2,447,211	\$ 7,605,431	\$ 36,444,068	\$ (19,012,002)	\$ (6,724,263)	\$ (8,709,250)	\$ (6,124,021)	\$ 33,683,226
Debt service as a percentage of noncapital expenditures	6.03%	6.28%	6.52%	5.88%	5.84%	6.86%	5.97%	6.00%	6.10%	6.48%

\* Includes state shared taxes originally reported separately in years prior to 2018.

**Schedule 5**  
**Worcester County, Maryland**  
**Assessed Value (Full Cash Value) of Taxable Property,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property Individuals and Firms</b>	<b>Businesses, Corporations and Utilities</b>	<b>Total Assessable Base</b>	<b>County Tax Rate *</b>	<b>State Tax Rate</b>
2019	\$ 15,544,751,018	\$ 15,702,611	\$ 362,985,175	\$ 15,923,438,804	\$ 0.835	\$ 0.112
2018	15,207,948,042	15,928,910	337,819,400	15,561,696,352	0.835	0.112
2017	14,825,676,056	18,977,901	349,286,832	15,193,940,789	0.835	0.112
2016	14,534,558,652	17,437,771	333,661,670	14,885,658,093	0.835	0.112
2015	14,556,412,647	16,548,700	315,387,352	14,888,348,699	0.77	0.112
2014	14,755,590,502	17,112,844	297,149,958	15,069,853,304	0.77	0.112
2013	15,462,442,895	15,847,573	297,224,707	15,775,515,175	0.70	0.112
2012	17,207,677,633	16,321,783	298,394,546	17,522,393,962	0.70	0.112
2011	17,829,124,045	16,428,122	284,635,088	18,130,187,255	0.70	0.112
2010	18,981,906,096	17,203,174	302,400,983	19,301,510,253	0.70	0.112

**Source:** State of Maryland, Department of Assessments and Taxation

**Note:** \* Per \$100 of value

**Schedule 6**  
**Worcester County, Maryland**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Years**  
*(rate per \$100 of assessed value)*

	<b>Year Taxes Are Payable</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>County Direct Rates</b>										
General	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.835	\$ 0.835	\$ 0.835	\$ 0.835
<b>Town Rates</b>										
Berlin	0.73	0.73	0.73	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Ocean City	0.395	0.395	0.395	0.4585	0.472	0.4704	0.478	0.4656	0.4656	0.4656
Pocomoke	0.76	0.76	0.75	0.82	0.82	0.9285	0.9375	0.9375	0.9375	0.9375
Snow Hill	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

Schedule 7  
Worcester County, Maryland  
Principal Property Tax Accounts,  
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2019			Fiscal Year 2010		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delmarva Power	\$ 88,904,720	1	0.56%	\$ 45,106,110	2	0.23%
Harrison Inn Stardust	64,415,200	2	0.40%	58,176,966	1	0.30%
Americana Stowaway Motel Inc.	40,774,833	3	0.26%	31,037,100	5	0.16%
Sun TRS Frontier LLC	38,825,333	4	0.24%			
Sun TRS Castaways LLC	35,914,767	5	0.23%			
91st Street Joint Venture	35,325,800	6	0.22%	28,948,700	6	0.15%
Ocean Enterprise 589 LLC	34,359,700	7	0.22%			
Choptank Electric Cooperative	28,393,570	8	0.18%	17,290,590	9	0.09%
Sandiper Energy	27,720,260	9	0.17%			
Individual	26,365,367	10	0.17%			
Verizon Maryland				35,872,850	3	0.19%
Harrison Inn Ocean View				31,427,200	4	0.16%
Harrison Hi 18 LLC				25,009,600	7	0.13%
Ocean Jetty, LLC				20,850,300	8	0.11%
Eastern Shore Gas				9,136,320	10	0.05%
<b>Total</b>	<b>\$ 420,999,550</b>		<b>2.64%</b>	<b>\$ 302,855,736</b>		<b>1.57%</b>

**Schedule 8**  
**Worcester County, Maryland**  
**Property Tax Levies and Collections,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Net Taxes Levied for Fiscal Year *</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Collections</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2019	\$ 136,104,204	\$ 133,114,537	97.80%	\$ 3,145,394	136,259,931	100.11%
2018	132,889,741	129,867,847	97.73%	3,122,478	132,990,325	100.08%
2017	130,113,435	127,089,001	97.68%	3,093,229	130,182,230	100.05%
2016	127,310,134	124,150,927	97.52%	2,910,349	127,061,276	99.80%
2015	116,946,415	113,877,415	97.38%	2,913,774	116,791,189	99.87%
2014	117,232,826	113,637,017	96.93%	2,865,685	116,502,702	99.38%
2013	120,978,969	118,039,082	97.57%	2,668,186	120,707,268	99.78%
2012	120,824,876	117,865,015	97.55%	2,461,933	120,326,948	99.59%
2011	122,758,482	118,346,054	96.41%	2,936,982	121,283,036	98.80%
2010	127,501,001	123,185,310	96.62%	2,842,094	126,027,404	98.84%

**Notes:** The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments

\* This chart nets the Homestead Credit with the total tax levy for each year

**Schedule 9**  
**Worcester County, Maryland**  
**Income Tax Rates,**  
**Last Ten Tax Years**

Tax Year	State Income Tax Rate								Worcester County Local Income Tax Direct Rate
	\$0 to \$1,000 Net Taxable Income	\$1,000 to \$2,000 Net Taxable Income	\$2,000 to \$3,000 Net Taxable Income	\$3,000 to \$100,000 Net Taxable Income	\$100,000 to \$125,000 Net Taxable Income	\$125,000 to \$150,000 Net Taxable Income	\$150,000 to \$250,000 Net Taxable Income	In excess of \$250,000 Net Taxable Income	
2018	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2017	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2016	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2015	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2014	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2013	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2012	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2011	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2010	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2009	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%

**Note:** The current maximum local income tax rate allowed is 3.2%

**Schedule 10**  
**Worcester County, Maryland**  
**Income Tax Filers Summary Information,**  
**Last Ten Tax Years**

<b>Tax Year</b>	<b>Number of Taxable Returns</b>	<b>Maryland Adjusted Gross Income</b>	<b>Net Taxable Income</b>	<b>Net State Income Tax</b>	<b>Local Income Tax</b>	<b>Total Tax Liability</b>	<b>Worcester County Income Tax Direct Rate</b>
2018	21,766	\$ 1,650,656,050	\$ 1,387,009,956	\$ 61,120,584	\$ 23,289,508	\$ 84,410,092	1.75%
2017	22,013	1,576,110,470	1,267,247,948	55,643,247	21,264,452	76,907,699	1.75%
2016	21,224	1,520,968,799	1,215,306,788	53,513,972	20,527,947	74,041,919	1.75%
2015	20,882	1,545,094,426	1,249,149,607	56,496,462	15,064,794	71,561,256	1.25%
2014	20,851	1,365,308,664	1,072,579,791	47,357,771	13,075,365	60,433,136	1.25%
2013	20,617	1,286,708,049	990,978,118	43,499,534	12,128,750	55,628,284	1.25%
2012	20,440	1,290,129,238	994,950,253	43,469,925	12,174,791	55,644,716	1.25%
2011	20,024	1,217,864,067	914,819,943	38,544,724	11,193,861	49,738,585	1.25%
2010	20,005	1,210,435,351	902,488,197	38,732,378	11,049,389	49,693,809	1.25%
2009	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25%

**Source:** Revenue Administration Division, State of Maryland Comptroller's Office

**Notes:** See Schedule 11 for detailed breakout of adjusted gross income

**Schedule 11**

**Worcester County, Maryland**

**Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level,  
Last Year and Ten Years Ago**

	<b>Tax Year 2018</b>					
	<b>Number of Taxable Returns</b>	<b>Percentage of Total</b>	<b>Net Taxable Income</b>	<b>Percentage of Total</b>	<b>Local Tax Liability</b>	<b>Percentage of Total</b>
<b>Adjusted Gross Income Level</b>						
\$250,000 and higher	727	3.3%	\$ 431,496,820	31.1%	\$ 7,204,838	30.9%
\$100,000 - 249,999	3,244	14.9%	413,883,014	29.8%	7,059,573	30.3%
\$50,000 - 99,999	5,467	25.1%	308,949,934	22.3%	5,358,424	23.0%
\$25,000 - 49,999	6,789	31.2%	176,722,728	12.7%	2,838,743	12.2%
\$5,000 - 24,999	5,430	24.9%	55,776,991	4.0%	824,902	3.5%
Under \$5,000	109	0.5%	180,469	0.0%	3,025	0.0%
<b>Totals</b>	<b>21,766</b>	<b>100.0%</b>	<b>\$ 1,387,009,956</b>	<b>100.0%</b>	<b>\$ 23,289,505</b>	<b>100.0%</b>

	<b>Tax Year 2008</b>					
	<b>Number of Taxable Returns</b>	<b>Percentage of Total</b>	<b>Net Taxable Income</b>	<b>Percentage of Total</b>	<b>Local Tax Liability</b>	<b>Percentage of Total</b>
<b>Adjusted Gross Income Level</b>						
\$250,000 and higher	586	2.9%	\$ 270,759,832	29.7%	\$ 3,384,499	30.3%
\$100,000 - 249,999	1,864	9.2%	192,724,579	21.2%	2,408,232	21.5%
\$50,000 - 99,999	4,963	24.5%	245,315,772	27.0%	3,066,412	27.4%
\$25,000 - 49,999	6,191	30.6%	142,486,843	15.7%	1,707,353	15.3%
\$5,000 - 24,999	6,500	32.1%	58,705,497	6.4%	615,226	5.5%
Under \$5,000	119	0.6%	207,736	0.0%	2,461	0.0%
<b>Totals</b>	<b>20,223</b>	<b>100.0%</b>	<b>\$ 910,200,259</b>	<b>100.0%</b>	<b>\$ 11,184,183</b>	<b>100.0%</b>

**Source:** Revenue Administration Division, State of Maryland Comptroller's Office

Schedule 12  
Worcester County, Maryland  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Bond/Lease Debt Per Capita
	General Obligation Bonds	Note Outstanding	Deferred Bond Premiums	General Obligation Bonds	Capital Leases	Deferred Bond Premiums (Costs)			
2019	\$ 102,279,413	\$ 437,024	\$ 11,488,355	\$ 24,968,024	\$ 1,725,689	\$ 1,560,386	\$ 142,458,891	4.74%	2,749
2018	76,854,107	451,661	6,395,561	20,591,706	1,874,810	688,717	106,856,562	3.55%	2,067
2017	85,806,287	465,712	6,750,477	20,151,002	803,425	719,748	114,696,651	3.81%	2,219
2016	94,004,273		7,105,393	22,670,278	1,353,997	758,437	125,892,378	4.31%	2,447
2015	101,944,407		7,460,309	24,299,716	1,527,500	782,829	136,014,761	4.99%	2,639
2014	102,921,889		5,648,657	23,223,396	1,391,965	411,541	133,597,448	5.21%	2,585
2013	67,549,992		919,216	17,062,876	1,359,361	(173,920)	86,717,525	3.34%	1,680
2012	70,701,211		701,272	19,348,694	1,239,613	(211,545)	91,779,245	3.68%	1,779
2011	78,525,255		775,305	15,053,052	1,574,530	(249,170)	95,678,972	4.22%	1,857
2010	86,048,230		849,338	15,215,449	1,579,885	(286,795)	103,406,107	5.05%	2,105

Notes: 2019 percentage of personal income calculated using 2018 personal income data, which is the most recent available

2019 bond/lease debt per capita calculated using 2018 population data, which is the most recent available

See Schedule 16 for population and personal income data

**Schedule 13**  
**Worcester County, Maryland**  
**Ratios of General Bonded Debt Outstanding,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Total Taxable Assessable Base</b>	<b>Percentage of Total Taxable Assessable Base</b>	<b>Population</b>	<b>Bond Debt Per Capita</b>
2019	\$ 127,247,437	\$ 15,923,438,805	0.80%	*	2,455
2018	97,445,813	15,561,696,352	0.63%	51,823	1,894
2017	105,957,289	15,193,940,789	0.70%	51,443	2,060
2016	116,674,551	14,885,658,093	0.78%	51,444	2,268
2015	126,244,123	14,888,348,699	0.85%	51,540	2,449
2014	126,145,285	15,069,853,304	0.84%	51,675	2,441
2013	84,612,868	15,775,515,175	0.54%	51,620	1,639
2012	90,049,905	17,522,393,962	0.51%	51,578	1,746
2011	93,578,307	18,130,187,255	0.52%	51,514	1,817
2010	101,263,679	19,301,510,253	0.52%	49,122	2,061

**Source:** Worcester County Finance Office

**Notes:** \* Information not yet available

2019 bond debt per capita calculated using 2018 population data, which is the most recent available

Schedule 14  
Worcester County, Maryland  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2019

	<u>Governmental Unit</u>	<u>Debt Outstanding</u>
<b>Direct Debt</b>		
	Worcester County - General Government	\$ 13,856,048
	Worcester County - School Debt	<u>100,348,744</u>
	<b>Subtotal Direct Debt</b>	<u>114,204,792</u> *
<b>Overlapping Debt</b>		
	Berlin	12,747,488
	Ocean City	110,616,700
	Pocomoke	6,015,863
	Snow Hill	<u>1,801,653</u>
	<b>Subtotal Overlapping Debt</b>	<u>131,181,704</u> **
<b>Total Direct and Overlapping Debt</b>		<u>\$ 245,386,496</u>

**Source:** Worcester County Finance Office

**Note:** \* Net direct debt of the County includes Governmental Activities general obligation bonds and notes payable.  
See Note 6

\*\* Overlapping debt is the debt of other governmental entities located within the County that is payable in whole or in part by taxpayers of the County.  
Unaudited information provided by municipalities

**Schedule 15**  
**Worcester County, Maryland**  
**Debt Margin Information,**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total Debt Outstanding Limit</b>										
Taxable Assessable Base	\$ 19,301,510	\$ 18,130,187	\$ 17,522,394	\$ 15,775,515	\$ 15,069,853	\$ 14,888,349	\$ 14,885,658	\$ 15,193,941	\$ 15,561,696	\$ 15,923,439
Debt Limit, 1% of Assessable Base	193,015	181,302	175,224	157,755	150,699	148,883	148,857	151,939	155,617	159,234
Amount of Debt Applicable to Limit	86,048	78,525	70,701	67,550	102,922	101,944	94,004	85,806	76,854	102,279
Debt Margin	<u>\$ 106,967</u>	<u>\$ 102,777</u>	<u>\$ 104,523</u>	<u>\$ 90,205</u>	<u>\$ 47,777</u>	<u>\$ 46,939</u>	<u>\$ 54,852</u>	<u>\$ 66,133</u>	<u>\$ 78,763</u>	<u>\$ 56,955</u>
Total debt applicable to the limit as a percentage of debt limit	44.58%	43.31%	40.35%	42.82%	68.30%	68.47%	63.15%	56.47%	49.39%	64.23%
<b>Total Debt Service Limit</b>										
Total Governmental Fund Revenue	\$ 176,715	\$ 173,868	\$ 174,865	\$ 176,237	\$ 171,146	\$ 173,843	\$ 190,659	\$ 201,978	\$ 206,307	\$ 198,789
Debt Service Limit, 10% of Revenue	17,671	17,387	17,486	17,624	17,115	17,384	19,066	20,198	20,631	19,879
Debt Service Applicable to Limit	11,039	11,008	10,991	10,069	10,536	13,737	11,481	11,941	12,323	11,982
Debt Service Margin	<u>\$ 6,632</u>	<u>\$ 6,379</u>	<u>\$ 6,496</u>	<u>\$ 7,554</u>	<u>\$ 6,578</u>	<u>\$ 3,648</u>	<u>\$ 7,585</u>	<u>\$ 8,257</u>	<u>\$ 8,307</u>	<u>\$ 7,897</u>
Total debt service applicable to the limit as a percentage of debt service limit	62.47%	63.31%	62.85%	57.14%	61.56%	79.02%	60.22%	59.12%	59.73%	60.28%

**Note:** The County has established a debt capacity policy by adopting Resolution 07-1. The policy limits the County's outstanding general obligation long-term debt to no more than 1 percent of the assessable property tax base of the County and the annual debt service to no more than 10 percent of the annual government revenue.

**Schedule 16**  
**Worcester County, Maryland**  
**Demographic and Economic Statistics,**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Population <sup>a</sup></b>	<b>Personal Income <sup>b</sup></b> <i>(dollars in thousands)</i>	<b>Per Capita Personal Income <sup>b</sup></b>	<b>Public School Enrollment <sup>c</sup></b>	<b>Unemployment Rate <sup>d</sup></b>
2019	*	*	*	6,810	5.5%
2018	51,823	\$ 3,109,753	\$ 60,007	6,684	6.4%
2017	51,690	3,007,897	58,191	6,667	5.7%
2016	51,444	2,919,306	56,747	6,660	6.2%
2015	51,540	2,723,740	52,847	6,654	7.9%
2014	51,675	2,562,653	49,592	6,649	7.2%
2013	51,620	2,597,794	50,325	6,650	8.5%
2012	51,578	2,493,986	48,354	6,643	8.2%
2011	51,514	2,265,940	43,987	6,699	8.9%
2010	49,122	2,045,692	41,645	6,659	8.1%

**Sources:** <sup>a</sup> U.S. Census Bureau Population Factfinder

<sup>b</sup> U.S. Department of Commerce Bureau of Economic Analysis, November 16, 2018

<sup>c</sup> Worcester County Board of Education

<sup>d</sup> Maryland Department of Labor, Licensing and Regulation, as of June 30

**Note:** \* Information not yet available

**Schedule 17**  
**Worcester County, Maryland**  
**Principal Employers,**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>2019</b>	
	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Town of Ocean City	1,394	5.62%
Harrison Group	1,235	4.98%
Worcester County Board of Education	1,154	4.65%
Atlantic General Hospital	921	3.71%
Worcester County Government	653	2.63%
Bayshore Development	539	2.17%
O.C. Seacrets, Inc.	513	2.06%
Wal-Mart Super Center	503	2.03%
Carousel Resort Hotel & Condominiums	368	1.48%
Dough Roller	320	1.29%
	<b>7,600</b>	<b>30.62%</b>
Total Worcester County Employees		24,816

<b>Employer</b>	<b>2010</b>	
	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Town of Ocean City	1,342	4.70%
Worcester County Board of Education	1,187	4.15%
Harrison Group	1,000	3.50%
Atlantic General Hospital	787	2.75%
Worcester County Government	653	2.29%
Phillips Seafood Restaurant	550	1.92%
Wal-Mart Super Center	500	1.75%
O.C. Seacrets, Inc.	495	1.73%
Dough Roller	322	1.13%
Clarion Fountainebleu Hotel	250	0.87%
	<b>7,086</b>	<b>24.79%</b>
Total Worcester County Employees		28,577

**Sources:** Worcester County Economic Development

Total County employment figures from the Maryland Department of Labor,  
 Licensing and Regulation Career and Workforce Information

**Schedule 18**  
**Worcester County, Maryland**  
**Full-time Equivalent County Government Employees by Function,**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Full-time Equivalent Employees as of June 30</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
General government	137.1	127.4	125.0	124.3	122.0	121.4	122.0	120.6	121.6	128.0
Commissioners, judges, and boards	20.0	21.0	21.0	22.0	21.0	21.0	19.0	19.0	20.0	20.0
Public safety	191.5	203.3	207.1	212.1	222.3	225.2	228.7	231.7	237.0	229.3
Public works	64.8	61.9	59.7	57.7	56.9	59.1	57.2	59.8	60.0	58.1
Social services - LMB	3.0	1.0	-	-	-	-	-	-	-	-
Library and recreation	65.1	62.0	60.4	63.1	63.1	64.0	64.3	65.5	65.5	69.4
Natural resources	-	-	-	-	-	-	-	-	-	-
Water and wastewater	63.7	65.0	62.6	62.9	65.2	64.8	65.9	64.9	63.4	62.6
Solid waste	40.9	39.0	36.6	35.0	35.6	35.7	35.2	35.3	36.1	34.1
Liquor control	-	-	36.0	31.8	31.0	24.5	19.0	15.9	4.3	2.7
<b>Total</b>	<b><u>586.1</u></b>	<b><u>580.6</u></b>	<b><u>608.4</u></b>	<b><u>608.9</u></b>	<b><u>617.1</u></b>	<b><u>615.7</u></b>	<b><u>611.3</u></b>	<b><u>612.7</u></b>	<b><u>607.9</u></b>	<b><u>604.2</u></b>

**Source:** Worcester County Finance Office

**Notes:** A full-time employee is scheduled to work 260 days per year (52 weeks x 5 days per week).  
At eight hours per day, 2,080 hours are scheduled per year (including vacation and sick leave).  
Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

County Commissioners, Orphan's Court Judges, and Board Members noted as full-time equivalent

The Department of Liquor Control was new in FY12

Part-time and temporary employees are included in this table

**Schedule 19  
Worcester County, Maryland  
Operating Indicators by Function,  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General Government</b>										
Building permits issued *	75	59	65	76	124	133	138	127	154	158
Value of new construction (in 000's)	17,524	13,317	14,437	20,344	31,150	26,806	29,865	29,559	31,415	37,927
<b>Public Safety</b>										
Detention Center										
Average daily population	267	334	375	376	335	338	344	345	351	310
Fire protection (all volunteer)										
Fire calls answered	1,370	1,490	1,539	1,612	2,164	2,673	2,436	2,181	2,179	1,996
Emergency Medical Services										
EMS calls answered	5,928	5,572	6,050	6,243	5,937	6,537	6,551	6,906	6,959	7,480
<b>Education</b>										
Students	6,659	6,699	6,643	6,650	6,649	6,654	6,660	6,667	6,684	6,810
Teachers	572	571	570	571	572	572	572	572	585	584
<b>Public Works</b>										
Centerline miles of road maintained	529	530	530	530	530	531	531	531	533	533
Wastewater treated (mgd)	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.1	1.9	1.9

**Source:** Worcester County Finance Office and individual County departments

**Note:** \* Single Family Dwelling Units

**Schedule 20**  
**Worcester County, Maryland**  
**Capital Asset Statistics by Function,**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Public Safety</b>										
Detention center capacity	507	507	507	507	507	507	507	507	507	507
Fire companies	9	9	9	9	9	9	9	9	9	9
Emergency medical services companies	7	7	7	7	7	7	7	7	7	7
<b>Education</b>										
Elementary schools	5	5	5	5	5	5	5	5	5	5
Intermediate schools	1	1	1	1	1	1	1	1	1	1
Middle schools	3	3	3	3	3	3	3	3	3	3
Special school	1	1	1	1	1	1	1	1	1	1
High schools	3	3	3	3	3	3	3	3	3	3
Technical high school	1	1	1	1	1	1	1	1	1	1
Public libraries	5	5	5	5	5	5	5	5	5	5
<b>Recreation Facilities</b>										
Recreation center	1	1	1	1	1	1	1	1	1	1
County parks	13	13	13	13	13	13	13	13	13	13
Park acreage	883	883	883	883	883	883	883	883	883	883
Public landings and wharves	9	9	9	9	9	9	9	9	9	9
Boat slips	8	8	8	8	8	8	8	8	8	8
<b>Public Works</b>										
Centerline miles of County roads	529	530	530	530	530	531	531	531	533	533
Public easements - Ocean Pines	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12
Bridges	44	44	44	44	44	44	43	43	43	43
Wastewater treatment plants	8	8	8	8	8	8	8	8	8	8
Miles of sewer pipeline	187	187	187	187	190	191	191	192	193	195
Water well house facilities	5	5	5	5	5	5	5	5	5	5
Pump stations	53	54	54	54	54	55	55	55	56	57
Water tanks	6	6	6	6	6	6	6	6	6	6
Waterlines	150	150	150	151	151	151	154	156	157	157
Water treatment facilities	10	10	10	10	10	10	10	10	10	10
Recycling center	1	1	1	1	1	1	1	1	1	1

**Source:** Worcester County Finance Office and individual County departments