

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2007

# WICOMICO COUNTY, MARYLAND

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**Certified Public Accountants  
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INDEPENDENT AUDITORS' REPORT

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wicomico County, Maryland's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represents 6.8% and 22.0%, respectively of the assets and revenues of business-type activities. We also did not audit the Board of Education of Wicomico County, which represents 98.3% and 98.5%, respectively of the assets and revenues of the aggregate discretely presented component units for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wicomico Nursing Home and the Board of Education of Wicomico County, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards* we have also issued a report dated December 24, 2007, on our consideration of Wicomico County, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedule of pension plan funding progress on pages 5-10 and 69-73 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The supplementary schedules on pages 74-88 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PKS & Company, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

December 24, 2007



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

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We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland ("the County"), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated December 24, 2007.

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

*PKS & Company, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

December 24, 2007

MANAGEMENT'S DISCUSSION  
AND ANALYSIS





## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Wicomico County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the County's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- The County's government-wide results of operations shows an increase in net assets of the primary government of about \$14.6 million which is attributable primarily to greater than expected local income tax distributions, increased interest revenues and excess of revenues over expenditures for the business-type activities, in particular capital contributions at the Airport.
- Within its main operating fund ("the general fund"), the County's results of operations shows revenues in excess of expenditures of about \$840,000, primarily due to tax and investment revenues in excess of budget.
- General fund revenues increased about \$5.3 million compared to last year, and general fund expenditures, including transfers, increased about \$17 million compared to last year. The large increase in expenditures was across all County operations with the largest increases in our core functions of Education and Public Safety.
- The County's rainy day reserves increased \$680,900. Total reserves increased almost \$1.1 million.
- The general fund budget for fiscal year 2007 was almost \$18 million more than last year, due primarily to increased income tax revenues and use of fund balances.

### **USING THESE FINANCIAL STATEMENTS**

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

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

#### **THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

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

These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Of course, many other factors impact the overall health of the County, including changes in the County's property tax base, the condition of the County's roads, and the impact of the revenue cap. In addition, it should be noted that when the County borrows money to build or improve school buildings, the buildings and improvements themselves appear on the Board of Education's financial statements as an asset while the debt appears on the County's financial statements without the accompanying asset. As of June 30, 2007, the County carried about \$46.9 million in debt on its portion of the financial statements under primary government related to school assets that appear in the component units section under Board of Education.

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

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

**Table 1**

Highlights from the primary government portion of the Statement of Net Assets as of June 30, 2007 and 2006:

	<b>(In millions of dollars)</b>					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	84.71	76.57	21.15	24.96	105.86	101.53
Capital assets	80.13	80.28	55.12	40.58	135.25	120.86
<b>Total Assets</b>	<b>164.84</b>	<b>156.85</b>	<b>76.27</b>	<b>65.54</b>	<b>241.11</b>	<b>222.39</b>
Current and other liabilities	20.43	17.58	4.97	6.05	25.40	23.63
Long-term liabilities	74.50	70.83	9.95	9.92	84.45	80.75
<b>Total Liabilities</b>	<b>94.93</b>	<b>88.41</b>	<b>14.92</b>	<b>15.97</b>	<b>109.85</b>	<b>104.38</b>
Invested in capital assets, net of related debt	1.52	4.67	50.23	35.10	51.75	39.77
Restricted net assets	48.79	44.45	.31	.31	49.10	44.76
Unrestricted net assets	19.60	19.32	10.81	14.16	30.41	33.48
<b>Total Net Assets</b>	<b>69.91</b>	<b>68.44</b>	<b>61.35</b>	<b>49.57</b>	<b>131.26</b>	<b>118.01</b>

The Statement of Net Assets for governmental activities for the fiscal year ending June 30, 2007 shows an investment in capital assets, net of related debt, of about \$1.52 million, with an unrestricted net assets amount of \$19.60 million. The County's business-type activities show \$10.81 million in unrestricted net assets, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

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

**Table 2**

Selected Highlights from the Statement of Activities as of June 30, 2007 and 2006:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Component Units	
	2007	2006	2007	2006	2007	2006
<b>Program Revenues</b>						
Charges for Services	11.48	9.53	19.99	19.75	3.63	3.04
Operating & Capital Grants	6.82	8.94	10.50	8.72	50.36	43.09
<b>General Revenues</b>						
Property Taxes	58.06	54.25	-	-	-	-
Local Taxes	60.55	58.82	-	-	-	-
Other	4.37	3.37	2.35	1.91	131.88	117.34
<b>Total Revenues</b>	<b>141.28</b>	<b>134.91</b>	<b>32.84</b>	<b>30.38</b>	<b>185.87</b>	<b>163.47</b>
<b>Program Expenses</b>						
<b>Governmental Activities</b>						
General Government	19.70	15.07	-	-	-	-
Public Safety	26.42	22.73	-	-	-	-
Public Works	13.42	9.30	-	-	-	-
Health & Welfare	6.46	5.84	-	-	-	-
Education	64.36	59.77	-	-	-	-
Culture and Recreation	3.77	3.15	-	-	-	-
Interest on Long-term debt	3.59	3.33	-	-	-	-
<b>Business-Type Activities</b>						
Solid Waste	-	-	5.82	5.31	-	-
Airport	-	-	2.68	2.17	-	-
Nursing Home	-	-	7.28	6.98	-	-
Youth & Civic Center	-	-	4.43	5.03	-	-
Other	-	-	1.58	1.33	-	-
<b>Component Units</b>						
Board of Education	-	-	-	-	165.43	149.33
Library	-	-	-	-	2.56	2.49
<b>Total Expenses</b>	<b>137.72</b>	<b>119.19</b>	<b>21.79</b>	<b>20.82</b>	<b>167.99</b>	<b>151.82</b>
Excess Before Special Items and Transfers	3.56	15.72	11.05	9.56	17.88	11.65
Special Items	.01	.02	-	(.09)	-	-
Transfers	(.83)	(1.77)	.83	1.77	-	-
Change in Net Assets	2.74	13.97	11.88	11.24	17.88	11.65
Net Assets - Beginning of year <sup>1</sup>	67.17	54.47	49.47	38.33	132.79	121.14
Net Assets - End of year	69.91	68.44	61.35	49.57	150.67	132.79

<sup>1</sup> Net Assets – Beginning of year are restated as explained in the notes to the financial statements on pages 66-68.

Table 2 shows that the County's total net assets increased by about \$32.50 million. This increase was primarily the result of greater than expected tax and interest revenues, revenue over expenditures in the enterprise funds, and from controlling expenses.

**Table 3**

Net Cost of Governmental and Business-Type Activities:

	(In millions of dollars)							
	Revenues		Expenditures		Net Cost (Revenue)			
	2007	2006	2007	2006	2007	2006		
<b>Governmental</b>								
General government	3.50	3.65	19.70	15.07	16.20	11.42		
Public safety	7.96	7.57	26.42	22.73	18.46	15.16		
Public works	1.33	1.40	13.42	9.30	12.09	7.90		
Education	-	-	64.36	59.77	64.36	59.77		
Others	5.51	5.84	13.82	12.32	8.31	6.48		
<b>Business Type</b>	30.48	28.47	21.79	20.82	(8.69)	(7.65)		

Table 3 presents the net cost of the County's governmental and business-type activities. The net cost shows the financial burden that was placed on the County's taxpayers. The net revenue in the business activities was primarily due to capital expansion at the Airport.

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

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

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

The County's governmental funds (as presented on pages 13-16) report a combined fund balance of \$71.8 million.

The General Fund

For fiscal year 2007, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$126.4 million. The final budgetary appropriation, after adjusting for carryforward, Civic Center event and Tourism expenditures and transfers in, was about \$128.5 million. The County spent about \$122.9 million, an increase over last year of about \$17 million. Revenues exceeded expectations and were about \$123.8 million, an increase over last year of about \$5.3 million. Revenues exceeded expenditures by about \$840,000 leading to an increase in the general fund balance.

Enterprise Funds

The County has a number of enterprise funds. All of the major funds showed a positive change in net assets. While a number of these funds show operating losses, those losses include depreciation, a non-cash expense, and when non-operating revenues are added in, all show a net gain.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the County's primary government had about \$135.25 million invested in a broad range of capital assets, including buildings, park facilities, roads & bridges, and equipment, net of depreciation. Table 4 shows highlights of the County's primary government's key capital assets, as of year end.

**Table 4**

Capital Assets as of June 30, 2007

	<b>(In millions of dollars)</b>						
	Governmental Activities		Business-Type Activities		Total		
	2007	2006	2007	2006	2007	2006	
Land, Buildings & Infrastructure	225.77	222.17	98.87	80.90	324.64	303.07	
Accumulated Depreciation	(145.64)	(141.89)	(43.75)	(40.32)	(189.39)	(182.21)	
Total Capital Assets, Net of Depreciation	80.13	80.28	55.12	40.58	135.25	120.86	

Major projects funded in 2007 include school, community college projects, a public works project, various projects at the Airport, and miscellaneous improvements to buildings.

The County's fiscal year 2008 capital budget calls for it to spend \$21,675,525 for capital projects for school construction at the Board of Education, public works projects, and various capital improvements around the County, including activities at the Library, Youth & Civic Center, Health Dept, Finance Dept., and the Airport. Of this amount, \$16,675,000 is bonded and the balance comes from fund balance (\$5,000,000) and grants. More detail about the County's capital assets is presented in the Capital Assets footnote to the financial statements beginning on page 35.

Debt

At year-end, the County had about \$80.24 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs. \$76.16 million last year – an increase of about 5.3 percent – as shown in table 5. This reflects the Council's intention to fund high priority projects but keep debt service relatively stable.

**Table 5**

Outstanding Debt at Year-End

	<b>(In millions of dollars)</b>						
	Governmental Activities		Business-Type Activities		Total		
	2007	2006	2007	2006	2007	2006	
General obligation bonds*	77.99	73.48	1.76	1.98	79.75	75.46	
Loans	.41	.47	.11	.28	.52	.75	
Leases and notes payable	.43	.14	1.59	1.68	2.02	1.82	
Debt not subject to limitation	(.43)	(0.14)	(1.62)	(1.73)	(2.05)	(1.87)	
<b>Totals</b>	<b>78.40</b>	<b>73.95</b>	<b>1.84</b>	<b>2.21</b>	<b>80.24</b>	<b>76.16</b>	

\*Includes revenue bonds for businesslike activities

The County's general obligation bond rating in fiscal year 2007 was A+ from both Standard and Poor's and Fitch, and A2 from Moody's. The County was re-rated in fiscal year 2008 and retained those ratings; Fitch Ratings also gave the County an outlook upgrade from "stable" to "positive"

The County's charter limits the amount of general obligation debt that the County can issue to 3.2 percent of the assessable base of real property plus 8 percent of the assessable base of personal property and certain operating real property of public utilities. The County's outstanding general obligation debt of \$80.2 million is significantly below this \$207.2 million limit.

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

The County is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The County has two fiduciary funds which are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. We exclude fiduciary activities from the County's other financial statements because the County cannot use these assets to finance its operation. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

The County's elected and appointed officials considered many factors when setting the fiscal-year 2008 budget, tax rates, and fees that will be charged for the business-type activities, including:

- The economy. Although the County's unemployment rate as of July 2007 increased from 3.9 to 4.2 percent; it remained below the national rate of 4.9 percent; this is indicative of the robust economy in the County. Income tax and recordation tax receipts are expected to grow at a slower level to match the slowing economy.
- State funding. The County is required by charter to strike its fiscal year 2008 budget before the State strikes its budget, leaving the issue of State funding for certain programs uncertain.
- The revenue cap. The County is required to set the tax rate to cap revenue from real property taxes (excluding new construction) at the lesser of 2 percent or the CPI-U. As the County assessable base increases, the County must lower the tax rate to conform to the cap. This also affects the personal property tax rate, which is set by law at 2.5 times the real property tax rate. For fiscal year 2008, the real property tax rate was lowered from \$0.942 to \$0.881 per \$100 of assessed value, and the personal property tax rate was therefore also lowered from \$2.355 to \$2.203 per \$100.

These factors were taken into account when adopting the general fund budget for fiscal year 2008. Amounts available for appropriation in the general fund budget are \$131.9 million, an increase of only about 4.4% over the fiscal 2007 budget of \$126.4 million. The County will use this increase to finance programs we currently offer, including the effect we expect inflation to have on program costs, help offset prior cuts in State funding for Roads, pay for capital projects at the Board of Education and County facilities, and fund self-insurance and utility reserves. As for the County's business-type activities, we expect the 2008 results will not be significantly different from the 2007 results.

The County changed its form of government in December 2006 when it elected its first County Executive. The executive powers of the County Council moved to the new County Executive, and the Council retained its legislative powers. Under the new Charter, the Executive prepares the operating budget and the Council has no power to increase any proposed appropriation but may lower it. The fiscal year 2008 budget was the first one prepared by the Executive.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

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

**BASIC FINANCIAL  
STATEMENTS**

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**Primary Government**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 68,960,975	\$ 20,300,106	\$ 89,261,081
Investments	-	200,000	200,000
Receivables	2,836,943	2,091,793	4,928,736
Internal balances	3,534,745	(3,422,071)	112,674
Due from other governmental agencies	8,755,600	1,690,474	10,446,074
Inventories	431,103	77,009	508,112
Other assets	187,470	213,281	400,751
Restricted cash	-	-	-
Net capital assets	80,129,308	55,121,297	135,250,605
Total assets	<u>164,836,144</u>	<u>76,271,889</u>	<u>241,108,033</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	9,195,984	2,853,197	12,049,181
Accrued payroll and taxes	868,756	304,532	1,173,288
Due to other governmental agencies	354,722	435,830	790,552
Deferred revenues	1,340,939	470,408	1,811,347
Long-term liabilities			
Due within one year			
Capital lease obligations	211,399	493,709	705,108
Bonds, notes and loans payable	7,065,356	317,957	7,383,313
Accrued interest	576,754	9,959	586,713
Compensated absences	688,591	83,023	771,614
Due to other governmental agencies	125,328	-	125,328
Due in more than one year			
Capital lease obligations	221,219	1,099,203	1,320,422
Bonds, notes and loans payable	71,334,433	2,978,909	74,313,342
Compensated absences	1,948,682	243,336	2,192,018
Due to other governmental agencies	996,558	-	996,558
Accrued post-retirement benefits	-	-	-
Accrued landfill closure and postclosure costs	-	5,627,754	5,627,754
Total liabilities	<u>94,928,721</u>	<u>14,917,817</u>	<u>109,846,538</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,523,276	50,231,519	51,754,795
Restricted for:			
Capital projects	15,555,784	-	15,555,784
Debt Service	-	222,789	222,789
Other projects	33,229,608	83,595	33,313,203
Unrestricted	19,598,755	10,816,169	30,414,924
Total net assets	<u>\$ 69,907,423</u>	<u>\$ 61,354,072</u>	<u>\$ 131,261,495</u>

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



<u>Component Units</u>		<u>Total</u>	
<u>Board of</u>	<u>Wicomico</u>	<u>Component</u>	<u>Total</u>
<u>Education</u>	<u>Free Library</u>	<u>Units</u>	
\$ 1,913,232	\$ 499,969	\$ 2,413,201	\$ 91,674,282
12,575,238	-	12,575,238	12,775,238
825,640	31,664	857,304	5,786,040
-	-	-	112,674
5,898,232	37,201	5,935,433	16,381,507
143,195	-	143,195	651,307
-	-	-	400,751
6,135,771	-	6,135,771	6,135,771
139,335,311	2,247,584	141,582,895	276,833,500
<u>166,826,619</u>	<u>2,816,418</u>	<u>169,643,037</u>	<u>410,751,070</u>
11,641,990	17,587	11,659,577	23,708,758
497,985	10,303	508,288	1,681,576
-	-	-	790,552
1,893,826	-	1,893,826	3,705,173
721,414	-	721,414	1,426,522
218,024	-	218,024	7,601,337
-	-	-	586,713
183,490	71,205	254,695	1,026,309
-	-	-	125,328
834,920	-	834,920	2,155,342
489,936	-	489,936	74,803,278
1,606,407	75,506	1,681,913	3,873,931
-	-	-	996,558
709,000	-	709,000	709,000
-	-	-	5,627,754
<u>18,796,992</u>	<u>174,601</u>	<u>18,971,593</u>	<u>128,818,131</u>
137,071,017	2,247,584	139,318,601	191,073,396
1,597,173	-	1,597,173	17,152,957
-	-	-	222,789
5,495,428	17,167	5,512,595	38,825,798
3,866,009	377,066	4,243,075	34,657,999
<u>\$ 148,029,627</u>	<u>\$ 2,641,817</u>	<u>\$ 150,671,444</u>	<u>\$ 281,932,939</u>

**WICOMICO COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Primary Government</u>			
	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services, Fees, Fines, Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental Activities				
General Government	\$ 19,706,439	\$ 2,796,421	\$ 707,574	\$ -
Public Safety	26,420,588	6,020,338	1,936,908	-
Public Works	13,420,255	1,193,286	139,317	-
Health and Welfare	6,461,839	126,535	3,269,150	-
Education	64,359,184	-	-	-
Culture and Recreation	3,770,418	1,340,856	768,626	-
Interest on Long-term debt	3,583,833	-	-	-
Total governmental activities	<u>137,722,556</u>	<u>11,477,436</u>	<u>6,821,575</u>	<u>-</u>
Business-type Activities				
Solid Waste	5,821,964	7,054,853	-	-
Airport	2,682,740	939,828	10,413,749	-
Nursing Home	7,284,611	7,401,474	-	-
Urban Services	418,703	501,560	-	49,166
Convention & Visitors Bureau	1,112,159	439,413	35,511	-
Civic Center	4,426,446	3,606,256	-	-
Other business-type activities	46,589	41,717	-	-
Total business-type activities	<u>21,793,212</u>	<u>19,985,101</u>	<u>10,449,260</u>	<u>49,166</u>
Total primary government	<u>\$ 159,515,768</u>	<u>\$ 31,462,537</u>	<u>\$ 17,270,835</u>	<u>\$ 49,166</u>
<b>Component Units</b>				
Board of Education	\$ 165,424,833	\$ 3,511,008	\$ 32,209,040	\$ 17,082,630
Wicomico County Free Library	2,561,472	120,928	911,109	152,604
Total component units	<u>\$ 167,986,305</u>	<u>\$ 3,631,936</u>	<u>\$ 33,120,149</u>	<u>\$ 17,235,234</u>

**General revenues:**

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

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Units</u>			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Board of Education</u>	<u>Wicomico Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ (16,202,444)	-	\$ (16,202,444)	\$ -	\$ -	\$ -	\$ (16,202,444)
(18,463,342)	-	(18,463,342)	-	-	-	(18,463,342)
(12,087,652)	-	(12,087,652)	-	-	-	(12,087,652)
(3,066,154)	-	(3,066,154)	-	-	-	(3,066,154)
(64,359,184)	-	(64,359,184)	-	-	-	(64,359,184)
(1,660,936)	-	(1,660,936)	-	-	-	(1,660,936)
(3,583,833)	-	(3,583,833)	-	-	-	(3,583,833)
<u>(119,423,545)</u>	<u>-</u>	<u>(119,423,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,423,545)</u>
-	1,232,889	1,232,889	-	-	-	1,232,889
-	8,670,837	8,670,837	-	-	-	8,670,837
-	116,863	116,863	-	-	-	116,863
-	132,023	132,023	-	-	-	132,023
-	(637,235)	(637,235)	-	-	-	(637,235)
-	(820,190)	(820,190)	-	-	-	(820,190)
-	(4,872)	(4,872)	-	-	-	(4,872)
-	<u>8,690,315</u>	<u>8,690,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,690,315</u>
<u>\$ (119,423,545)</u>	<u>\$ 8,690,315</u>	<u>\$ (110,733,230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,733,230)</u>
\$ -	\$ -	\$ -	\$ (112,622,155)	\$ -	\$ (112,622,155)	\$ (112,622,155)
-	-	-	-	(1,376,831)	(1,376,831)	(1,376,831)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (112,622,155)</u>	<u>\$ (1,376,831)</u>	<u>\$ (113,998,986)</u>	<u>\$ (113,998,986)</u>
\$ 58,063,142	\$ -	\$ 58,063,142	\$ -	\$ -	\$ -	\$ 58,063,142
60,547,344	772,859	61,320,203	-	-	-	61,320,203
320,000	-	320,000	80,408,857	6,238	80,415,095	80,735,095
-	-	-	48,329,815	1,482,577	49,812,392	49,812,392
3,971,127	1,036,043	5,007,170	1,008,683	18,370	1,027,053	6,034,223
82,902	551,017	633,919	597,026	28,195	625,221	1,259,140
5,873	-	5,873	-	-	-	5,873
(825,964)	825,964	-	-	-	-	-
<u>122,164,424</u>	<u>3,185,883</u>	<u>125,350,307</u>	<u>130,344,381</u>	<u>1,535,380</u>	<u>131,879,761</u>	<u>257,230,068</u>
2,740,879	11,876,198	14,617,077	17,722,226	158,549	17,880,775	32,497,852
67,166,544	49,477,874	116,644,418	130,307,401	2,483,268	132,790,669	249,435,087
<u>\$ 69,907,423</u>	<u>\$ 61,354,072</u>	<u>\$ 131,261,495</u>	<u>\$ 148,029,627</u>	<u>\$ 2,641,817</u>	<u>\$ 150,671,444</u>	<u>\$ 281,932,939</u>

**WICOMICO COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 29,726,687	\$ 2,334,190	\$ 28,090,866	\$ 7,207,267	\$ 1,601,965	\$ 68,960,975
Taxes receivable, net	852,882	-	-	-	-	852,882
Other receivables	667,836	2,534	-	762,170	57,853	1,490,393
Due from other funds	4,959,567	-	-	-	-	4,959,567
Receivable from other governments	7,573,073	1,088,756	93,771	-	-	8,755,600
Inventories	-	-	-	426,002	5,101	431,103
Prepaid expenses	169,825	17,645	-	-	-	187,470
Total assets	<u>43,949,870</u>	<u>3,443,125</u>	<u>28,184,637</u>	<u>8,395,439</u>	<u>1,664,919</u>	<u>85,637,990</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	2,220,986	810,748	3,699,689	2,425,786	38,775	9,195,984
Accrued payroll and taxes	783,591	19,624	-	65,541	-	868,756
Due to other funds	-	554,451	564,098	250,000	56,273	1,424,822
Payable to other governments	354,722	-	-	-	-	354,722
Deferred revenues	450,290	677,067	-	-	213,582	1,340,939
Accrued compensated absences	616,868	15,282	-	56,441	-	688,591
Total liabilities	<u>4,426,457</u>	<u>2,077,172</u>	<u>4,263,787</u>	<u>2,797,768</u>	<u>308,630</u>	<u>13,873,814</u>
Fund balances:						
Reserved for:						
Inventories	-	-	-	426,002	5,101	431,103
Encumbrances	339,418	346,843	192,325	1,392,095	3,500	2,274,181
Prepaid expenses	169,825	-	-	-	-	169,825
Other purposes	5,000,000	-	23,728,525	-	-	28,728,525
Unreserved:						
Designated for:						
Subsequent years' expenditures	7,792,507	-	-	-	-	7,792,507
Fund purposes	9,423,621	1,019,110	-	3,779,574	1,347,688	15,569,993
Unreserved and undesignated	16,798,042	-	-	-	-	16,798,042
Total fund balances	<u>39,523,413</u>	<u>1,365,953</u>	<u>23,920,850</u>	<u>5,597,671</u>	<u>1,356,289</u>	<u>71,764,176</u>
Total liabilities and fund balances	<u>\$ 43,949,870</u>	<u>\$ 3,443,125</u>	<u>\$ 28,184,637</u>	<u>\$ 8,395,439</u>	<u>\$ 1,664,919</u>	<u>\$ 85,637,990</u>

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

**WICOMICO COUNTY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

Total fund balance, governmental funds	\$	71,764,176
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		80,129,308
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		493,668
Long term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the funds:		
Long-term debt		(78,399,789)
Capital leases		(432,618)
Other long-term liabilities		(1,121,886)
Accrued interest		(576,754)
Compensated absences		(1,948,682)
		(1,948,682)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	69,907,423

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

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property taxes	\$ 58,063,142	\$ -	\$ -	\$ -	\$ -	\$ 58,063,142
Income taxes	44,816,979	-	-	-	-	44,816,979
Other taxes	7,227,322	-	-	7,290,307	1,212,736	15,730,365
Licenses and permits	1,187,009	-	-	-	-	1,187,009
Intergovernmental	804,306	6,288,269	-	-	49,000	7,141,575
Charges for services	7,755,449	-	-	1,164,780	1,295,753	10,215,982
Court fines and forfeitures	74,445	-	-	-	-	74,445
Miscellaneous	112,780	31,923	-	5,960	-	150,663
Investment earnings	3,734,981	36,124	-	109,924	51,772	3,932,801
Total revenues	<u>123,776,413</u>	<u>6,356,316</u>	<u>-</u>	<u>8,570,971</u>	<u>2,609,261</u>	<u>141,312,961</u>
<b>EXPENDITURES</b>						
Current:						
General government	8,282,083	731,597	221,753	-	-	9,235,433
Public safety	13,831,225	1,476,451	31,128	-	-	15,338,804
Detention Center	11,574,058	-	-	-	-	11,574,058
Public works	812,607	10,798	973,375	10,890,484	91,117	12,778,381
Health	2,902,209	-	8,688	-	-	2,910,897
Social services	200,409	3,359,471	-	-	-	3,559,880
Education	53,451,071	-	11,101,718	-	-	64,552,789
Recreation and culture	1,734,865	580,760	118,023	-	1,038,279	3,471,927
Miscellaneous	10,363,363	-	-	-	1,082,656	11,446,019
Debt Service:						
Principal	6,567,094	-	-	183,825	27,499	6,778,418
Interest and other charges	3,251,756	-	74,639	66,175	10,137	3,402,707
Total expenditures	<u>112,970,740</u>	<u>6,159,077</u>	<u>12,529,324</u>	<u>11,140,484</u>	<u>2,249,688</u>	<u>145,049,313</u>
Excess (deficiency) of revenues over expenditures	<u>10,805,673</u>	<u>197,239</u>	<u>(12,529,324)</u>	<u>(2,569,513)</u>	<u>359,573</u>	<u>(3,736,352)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt, net	-	-	11,225,000	-	-	11,225,000
Other source	96,926	-	-	-	-	96,926
Transfers in	160,249	5,941	7,670,000	1,964,935	6,652	9,807,777
Transfers out	<u>(10,222,777)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,964)</u>	<u>(10,633,741)</u>
Total other financing sources (uses)	<u>(9,965,602)</u>	<u>5,941</u>	<u>18,895,000</u>	<u>1,964,935</u>	<u>(404,312)</u>	<u>10,495,962</u>
Net change in fund balances	840,071	203,180	6,365,676	(604,578)	(44,739)	6,759,610
Fund balances, as restated - beginning	38,683,342	1,162,773	17,555,174	6,202,249	1,401,028	65,004,566
Fund balances - ending	<u>\$ 39,523,413</u>	<u>\$ 1,365,953</u>	<u>\$ 23,920,850</u>	<u>\$ 5,597,671</u>	<u>\$ 1,356,289</u>	<u>\$ 71,764,176</u>

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

**WICOMICO COUNTY, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds: \$ 6,759,610

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

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

This is the amount by which depreciation \$5,324,493 exceed capital outlays - \$4,811,494 in the current period. (512,999)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (36,303)

Governmental funds report loans as expenditures. In contrast, the Statement of Activities reports the loans as notes receivable. Governmental funds report the principal and interest payments received on those loans as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the interest payments. Thus, the change in net assets differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans. (84,185)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (4,079,574)

Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. The following are differences between the governmental funds and the statement of activities:

Payment on other liability not reflected on Governmental funds	117,706
Accrued interest not reflected on Governmental funds	(118,796)
Net pension obligation	695,420
	695,420

Change in net assets of governmental activities \$ 2,740,879

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2007**

	<u>Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,825,424	\$ 78,321	\$ 1,762,803
Certificates of deposit	-	-	200,000
Accounts receivable, net	957,353	33,856	774,339
Other receivables	5,026	-	-
Due from other funds	250,000	-	-
Receivables from other governments	-	1,667,932	-
Prepaid expenses	175,914	-	-
Inventories	-	-	56,705
Deferred charges and prepaid expenses	-	-	9,995
Total current assets	<u>15,213,717</u>	<u>1,780,109</u>	<u>2,803,842</u>
Non-current assets:			
Capital Assets:			
Construction in progress	-	918,467	-
Land and improvements	304,607	5,865,863	49,286
Land disposal sites - liner costs	16,862,832	-	-
Runways and ramps	-	35,111,249	-
Buildings and improvements	394,001	10,672,628	3,109,492
Equipment and furniture	5,476,021	1,263,035	1,357,425
Vehicles	1,691,701	-	8,990
Less Accumulated depreciation	<u>(11,932,522)</u>	<u>(21,224,087)</u>	<u>(2,116,210)</u>
Total non-current assets	<u>12,796,640</u>	<u>32,607,155</u>	<u>2,408,983</u>
Total assets	<u>28,010,357</u>	<u>34,387,264</u>	<u>5,212,825</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,156,793	687,522	633,603
Accrued payroll and taxes	172,850	9,120	90,732
Accrued interest payable	7,856	432	-
Due to other funds	2,680,924	-	-
Due to other governmental entities	-	-	435,830
Deferred revenues	128,249	18,611	-
Compensated absences	37,057	14,769	-
Capital lease obligation	493,709	-	-
Bonds, notes and loans payable	142,957	15,692	116,476
Total current liabilities	<u>4,820,395</u>	<u>746,146</u>	<u>1,276,641</u>
Non-current liabilities:			
Compensated absences	126,642	27,329	-
Capital lease obligation	1,099,203	-	-
Bonds, notes and loans payable	971,557	187,506	1,310,014
Accrued landfill closure and postclosure costs	5,627,754	-	-
Total non-current liabilities	<u>7,825,156</u>	<u>214,835</u>	<u>1,310,014</u>
Total liabilities	<u>12,645,551</u>	<u>960,981</u>	<u>2,586,655</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,089,214	32,403,957	982,493
Restricted for debt service	-	-	-
Restricted for other purposes	-	-	-
Unrestricted	5,275,592	1,022,326	1,643,677
Total net assets	<u>\$ 15,364,806</u>	<u>\$ 33,426,283</u>	<u>\$ 2,626,170</u>

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



<u>Urban Services</u>	<u>Convention &amp; Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 1,589,186	\$ 481,697	\$ 2,465,139	\$ 97,536	\$ 20,300,106
-	-	-	-	200,000
94,598	146,271	71,630	2,420	2,080,467
6,300	-	-	-	11,326
-	-	-	-	250,000
22,542	-	-	-	1,690,474
-	-	-	-	175,914
-	224	20,080	-	77,009
838	26,534	-	-	37,367
<u>1,713,464</u>	<u>654,726</u>	<u>2,556,849</u>	<u>99,956</u>	<u>24,822,663</u>
-	-	-	-	918,467
1,878,754	-	409,289	-	8,507,799
-	-	-	-	16,862,832
-	-	-	-	35,111,249
-	552,195	12,424,418	-	27,152,734
-	106,428	398,850	-	8,601,759
-	7,200	6,200	-	1,714,091
<u>(1,509,435)</u>	<u>(210,343)</u>	<u>(6,755,037)</u>	<u>-</u>	<u>(43,747,634)</u>
<u>369,319</u>	<u>455,480</u>	<u>6,483,720</u>	<u>-</u>	<u>55,121,297</u>
<u>2,082,783</u>	<u>1,110,206</u>	<u>9,040,569</u>	<u>99,956</u>	<u>79,943,960</u>
134,348	128,953	108,348	3,630	2,853,197
-	6,474	24,529	827	304,532
413	1,258	-	-	9,959
94,695	-	895,416	1,036	3,672,071
-	-	-	-	435,830
27,903	-	295,645	-	470,408
-	8,666	22,531	-	83,023
-	-	-	-	493,709
-	17,632	25,200	-	317,957
<u>257,359</u>	<u>162,983</u>	<u>1,371,669</u>	<u>5,493</u>	<u>8,640,686</u>
-	17,371	71,994	-	243,336
-	-	-	-	1,099,203
25,000	118,206	366,626	-	2,978,909
-	-	-	-	5,627,754
<u>25,000</u>	<u>135,577</u>	<u>438,620</u>	<u>-</u>	<u>9,949,202</u>
<u>282,359</u>	<u>298,560</u>	<u>1,810,289</u>	<u>5,493</u>	<u>18,589,888</u>
344,319	319,642	6,091,894	-	50,231,519
222,789	-	-	-	222,789
83,595	-	-	-	83,595
<u>1,149,721</u>	<u>492,004</u>	<u>1,138,386</u>	<u>94,463</u>	<u>10,816,169</u>
<u>\$ 1,800,424</u>	<u>\$ 811,646</u>	<u>\$ 7,230,280</u>	<u>\$ 94,463</u>	<u>\$ 61,354,072</u>

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<b>Enterprise Funds</b>		
	<b><u>Solid Waste</u></b>	<b><u>Airport</u></b>	<b><u>Nursing Home</u></b>
<b>REVENUES</b>			
Charges for services	\$ 7,053,253	\$ -	\$ 7,343,745
Miscellaneous	1,600	939,828	57,729
Total operating revenues	<u>7,054,853</u>	<u>939,828</u>	<u>7,401,474</u>
<b>OPERATING EXPENSES</b>			
Personnel services	2,139,206	415,271	4,856,541
Contractual services	714,503	20,132	655,234
Utilities	74,953	161,181	221,740
Repairs and maintenance	82,080	194,359	67,627
Other supplies and expenses	797,389	101,770	1,100,759
Insurance claims and expenses	-	31,083	130,460
Provision for postclosure costs	437,738	-	-
Direct costs of events	-	-	-
Depreciation	1,436,777	1,747,701	152,794
Total operating expenses	<u>5,682,646</u>	<u>2,671,497</u>	<u>7,185,155</u>
Operating income (loss)	<u>1,372,207</u>	<u>(1,731,669)</u>	<u>216,319</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	809,021	12,215	64,347
Miscellaneous revenue	14,589	-	63,989
Operating grants and contributions	-	10,413,749	-
Passenger facility charges, net of fees	-	160,845	-
Interest expense	(131,778)	(11,243)	(99,456)
Miscellaneous expenses	(7,540)	-	-
Total non-operating revenue (expenses)	<u>684,292</u>	<u>10,575,566</u>	<u>28,880</u>
Income (loss) before contributions and transfers	<u>2,056,499</u>	<u>8,843,897</u>	<u>245,199</u>
Capital contributions	-	-	-
Transfers in	97,624	-	-
Transfers out	-	-	-
Change in net assets	<u>2,154,123</u>	<u>8,843,897</u>	<u>245,199</u>
Total net assets, as restated - beginning	<u>13,210,683</u>	<u>24,582,386</u>	<u>2,380,971</u>
Total net assets - ending	<u>\$ 15,364,806</u>	<u>\$ 33,426,283</u>	<u>\$ 2,626,170</u>

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

<u>Urban Services</u>	<u>Convention &amp; Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 496,056	\$ -	\$ 3,286,728	\$ 41,717	\$ 18,221,499
5,504	439,413	319,528	-	1,763,602
<u>501,560</u>	<u>439,413</u>	<u>3,606,256</u>	<u>41,717</u>	<u>19,985,101</u>
-	420,420	1,218,576	40,914	9,090,928
314,495	555,443	3,036	-	2,262,843
-	19,322	278,469	233	755,898
-	34,694	221,313	-	600,073
54,000	63,057	68,380	5,334	2,190,689
-	-	-	108	161,651
-	-	-	-	437,738
-	-	2,241,393	-	2,241,393
41,367	12,483	293,042	-	3,684,164
<u>409,862</u>	<u>1,105,419</u>	<u>4,324,209</u>	<u>46,589</u>	<u>21,425,377</u>
<u>91,698</u>	<u>(666,006)</u>	<u>(717,953)</u>	<u>(4,872)</u>	<u>(1,440,276)</u>
71,772	7	78,681	-	1,036,043
5,827	695,285	383,341	-	1,163,031
-	35,511	-	-	10,449,260
-	-	-	-	160,845
(8,841)	(6,740)	(16,707)	-	(274,765)
-	-	(85,530)	-	(93,070)
<u>68,758</u>	<u>724,063</u>	<u>359,785</u>	<u>-</u>	<u>12,441,344</u>
<u>160,456</u>	<u>58,057</u>	<u>(358,168)</u>	<u>(4,872)</u>	<u>11,001,068</u>
49,166	-	-	-	49,166
-	147,557	600,117	-	845,298
-	-	(19,334)	-	(19,334)
<u>209,622</u>	<u>205,614</u>	<u>222,615</u>	<u>(4,872)</u>	<u>11,876,198</u>
<u>1,590,802</u>	<u>606,032</u>	<u>7,007,665</u>	<u>99,335</u>	<u>49,477,874</u>
<u>\$ 1,800,424</u>	<u>\$ 811,646</u>	<u>\$ 7,230,280</u>	<u>\$ 94,463</u>	<u>\$ 61,354,072</u>

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<b>Solid Waste</b>	<b>Airport</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 6,748,221	\$ 4,587,355
Payments to suppliers for goods and services	(837,742)	(2,596,518)
Payments to employees for services	(2,087,985)	(408,820)
Net cash provided (used) by operating activities	3,822,494	1,582,017
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating transfers	97,624	-
(Increase) decrease in due from other funds	2,209,126	(1,596,029)
Donations	-	-
Net cash provided (used) by noncapital financing activities	2,306,750	(1,596,029)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest paid on notes and bonds payable	(135,757)	(11,274)
Acquisition and construction of capital assets	(6,922,408)	(10,811,071)
Principal payments on notes and bonds payable	(790,341)	(15,691)
Capital contributions	-	-
Federal and state grants	-	10,413,749
Net cash provided (used) by capital and related financing activities	(7,848,506)	(424,287)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	809,021	12,215
Other income	7,049	-
Net cash provided by investing activities	816,070	12,215
<b>NET INCREASE (DECREASE) IN CASH</b>	(903,192)	(426,084)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	14,728,616	504,405
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 13,825,424	\$ 78,321
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,372,207	\$ (1,731,669)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,436,777	1,747,701
Passenger facility charges, net of fees	-	160,845
Provision for bad debt	-	-
Changes in assets and liabilities:		
Accounts receivable	(245,634)	24,287
Other receivables	-	-
Prepaid expenses	(175,914)	-
Due to/from other governmental agencies	-	3,493,216
Inventories	-	-
Accounts payable and accrued expenses	1,058,318	(2,081,542)
Landfill closure and post-closure cost	437,738	-
Deferred revenues	(60,998)	(30,821)
Net cash provided (used) by operating activities	\$ 3,822,494	\$ 1,582,017

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

<b>Nursing Home</b>	<b>Urban Services</b>	<b>Convention &amp; Visitors Bureau</b>	<b>Civic Center</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
\$ 7,419,451	\$ 506,800	\$ 406,950	\$ 3,456,210	\$ 61,412	\$ 23,186,399
(3,348,612)	(366,481)	(624,950)	(2,745,327)	(5,739)	(10,525,369)
(3,514,043)	-	(419,996)	(1,205,095)	(40,931)	(7,676,870)
<u>556,796</u>	<u>140,319</u>	<u>(637,996)</u>	<u>(494,212)</u>	<u>14,742</u>	<u>4,984,160</u>
-	-	147,557	580,783	-	825,964
-	(42,997)	-	687,432	6,644	1,264,176
62,109	-	-	-	-	62,109
<u>62,109</u>	<u>(42,997)</u>	<u>147,557</u>	<u>1,268,215</u>	<u>6,644</u>	<u>2,152,249</u>
(99,456)	(10,113)	(6,888)	(16,707)	-	(280,195)
(98,845)	-	-	(15,000)	-	(17,847,324)
(116,477)	(30,000)	(17,850)	(23,570)	-	(993,929)
-	49,166	-	-	-	49,166
-	-	35,511	-	-	10,449,260
<u>(314,778)</u>	<u>9,053</u>	<u>10,773</u>	<u>(55,277)</u>	<u>-</u>	<u>(8,623,022)</u>
64,347	71,772	7	78,681	-	1,036,043
1,880	5,827	695,285	297,811	-	1,007,852
<u>66,227</u>	<u>77,599</u>	<u>695,292</u>	<u>376,492</u>	<u>-</u>	<u>2,043,895</u>
370,354	183,974	215,626	1,095,218	21,386	557,282
1,392,449	1,405,212	266,071	1,369,921	76,150	19,742,824
<u>\$ 1,762,803</u>	<u>\$ 1,589,186</u>	<u>\$ 481,697</u>	<u>\$ 2,465,139</u>	<u>\$ 97,536</u>	<u>\$ 20,300,106</u>
\$ 216,319	\$ 91,698	\$ (666,006)	\$ (717,953)	\$ (4,872)	\$ (1,440,276)
157,474	41,367	12,483	293,042	-	3,688,844
-	-	-	-	-	160,845
86,782	-	-	-	-	86,782
(68,271)	13,864	(32,463)	(20,644)	19,695	(309,166)
-	217	-	-	-	217
-	-	7,511	-	-	(168,403)
174,466	(8,841)	-	-	-	3,658,841
(7,540)	-	(224)	(2,751)	-	(10,515)
(2,434)	2,014	40,703	83,496	(81)	(899,526)
-	-	-	-	-	437,738
-	-	-	(129,402)	-	(221,221)
<u>\$ 556,796</u>	<u>\$ 140,319</u>	<u>\$ (637,996)</u>	<u>\$ (494,212)</u>	<u>\$ 14,742</u>	<u>\$ 4,984,160</u>

**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 865,060	\$ 8,331,252	\$ 9,196,312
Investments	-	17,248,920	17,248,920
<b>TOTAL ASSETS</b>	<u>865,060</u>	<u>25,580,172</u>	<u>26,445,232</u>
<b>LIABILITIES</b>			
Due to agency funds	752,386	-	752,386
Due to general fund	112,674	-	112,674
<b>TOTAL LIABILITIES</b>	<u>865,060</u>	<u>-</u>	<u>865,060</u>
<b>NET ASSETS</b>			
Held in trust for retirement benefits	<u>-</u>	<u>25,580,172</u>	<u>25,580,172</u>
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>	<u>\$ 25,580,172</u>	<u>\$ 25,580,172</u>

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

**WICOMICO COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2007**

	<u>Pension</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 3,744,391
Plan Members	1,055,097
Total contributions	4,799,488
Investment earnings:	
Net increase in fair value of investments	2,401,521
Total net investment earnings	2,401,521
Total additions	7,201,009
 <b>DEDUCTIONS</b>	
Benefits	1,352,430
Administrative	114,061
Total deductions	1,466,491
Change in net assets	5,734,518
Net assets - beginning	19,845,654
Net assets - ending	\$ 25,580,172

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**SIGNIFICANT ACCOUNTING POLICIES**

Wicomico County, Maryland (the County) is a political subdivision of the State of Maryland, established in 1867 and subsequently incorporated under Article 25 of the Annotated Code of the State of Maryland, and is governed by an elected executive and a seven-member elected County Council. The County government directly provides all basic local governmental services except for water and sewer.

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

Financial Reporting Entity

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

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

Blended component units reported within the Primary Government:

Enterprise Funds:

- Solid Waste Landfill
- Salisbury - Ocean City: Wicomico Regional Airport
- Wicomico Nursing Home
- Wicomico County Urban Services Commission
- Convention & Visitors Bureau
- Civic Center

Discretely presented component units:

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

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

Related Organizations

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



**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Government-Wide Financial Statements

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

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

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

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

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

Basic Financial Statements—Fund Financial Statements

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

The following fund types are used by the County.

1. Governmental Funds:

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

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

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

2. Enterprise Funds:

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements—Fund Financial Statements (Continued)

2. Enterprise Funds (Continued)

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

The County's nonmajor enterprise funds include Urban Services, Local Matching, Electrical Board and Prophecy Residential Treatment. The Urban Services Commission's charter requires that the Urban Services Fund be reported separately on the fund financial statements.

3. Fiduciary Funds:

The focus of fiduciary fund measurement is to account for resources held for the benefit of parties outside the government. The County uses an agency fund to account for assets held for, and due to, prisoners of the Wicomico County Detention Center. The County's Pension Trust Fund is used to account for the activity related to the Employees' Retirement Plan of Wicomico County. The County's Sheriff's Escrow account includes monies collected from the employees to cover employee specific celebrations that the county is not obligated to cover. The Narcotics Task Force seized monies escrow is monies confiscated in Drug related activities and the funds are held until Court case verdict. All of these funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the County presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Measurement Focus/Basis of Accounting

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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

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

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

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

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

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

Budgets and Budgetary Accounting

Article VII, Section 705 of the County Charter requires each department or agency financed in whole or in part by County funds to prepare and submit an annual budget. Formal budgetary accounting is employed as a management control for the County's General Fund, Roads Special Revenue Fund, Solid Waste Landfill Enterprise Fund, the Salisbury - Ocean City: Wicomico Regional Airport, the Convention and Visitors Bureau, the Civic Center, and the Electrical Board. The annual budget for the General Fund and the Roads Special Revenue Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Solid Waste Landfill and Airport Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation is not considered. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2007.

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Interfund Activity

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Activity (Continued)

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

Inventories

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

Capital Assets

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

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

Long-Term Obligations

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Taxes and County Services

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

Revenues

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

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2007 are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred revenue in the fund statements. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. The tax is levied on the full real property assessable basis; however, effective for the year ending June 30, 2002 and subsequent, the taxpayers passed a revenue cap on the growth of real property tax revenues. Therefore, the Council cannot increase real property tax revenue over the previous year's revenue, excluding new construction, more than the lesser of 2% or the CPI-U.

On July 1, 2001, the County began billing and collecting property taxes for the City of Salisbury, MD. As of June 30, 2007, both local property taxes receivable and due to other governments included \$24,492 due on behalf of and to the City of Salisbury.

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Flows

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

Expenditures

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

Encumbrances

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

Reserved and Designated Fund Balances

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

CASH, CASH EQUIVALENTS AND INVESTMENTS

Wicomico County

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

At June 30, 2007, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$89,461,081 and the bank balance was \$89,154,558. All deposits are carried at cost plus accrued interest. Of the bank balance \$85,946,831 was deposited in the MLGIP. Deposits in the MLGIP comply with Article 95 of the Annotated Code of Maryland and are rated "AAAm" by Standard and Poors.



**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Wicomico County (Continued)

The remaining deposits of \$3,207,727 were secured as follows:

FDIC coverage	\$ 309,708
Secured with collateral in County's name	<u>2,898,019</u>
	<u>\$ 3,207,727</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2006 the County's bank balances of \$309,708 was not exposed to custodial credit risk as \$100,000 of interest bearing accounts and \$100,000 of non-interest bearing accounts are insured by FDIC at each bank. Various insurers insure \$9,000,000 by issuing deposit surety bonds.

Credit Risk

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

Concentration of Credit Risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 96% of total cash.

Interest Rate Risk

The County's primary concern related to cash and investments is security and liquidity and therefore has no long-term investments and 96% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2007, the actual yield of the MLGIP was 5.30%.

Board of Education of Wicomico County

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

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

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

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

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

DIVERSIFICATION BY INSTRUMENT	MAXIMUM PERCENT OF PORTFOLIO
U.S. Treasury Obligations	100%
Local Government Investment Pool	100%
Repurchase Agreements (Master Repurchase Agreements Required)	30%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	10%

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

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

At June 30, 2007, the Board's non-pension funds were invested as follows:

	CARRYING VALUE	BANK BALANCE
Cash and cash equivalents	\$ 1,885,879	\$ 5,825,722

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

Insured	\$ 100,000
Uninsured and Collateral Held by Pledging	
Bank's Trust Department in the Board's Name	5,578,877
Uninsured and Collateral Held by Pledging	
Bank's Trust Department Not in the Board's Name	146,845
	\$ 5,825,722

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created by Article 95 Section 22G of the Annotated Code of Maryland. This pool functions as a money market fund for local governments. The MLGIP is rated "AAAm" by Standard & Poor's (its highest rating). It is under the administrative control of the State Treasurer and is managed by Baltimore based Mercantile-Safe Deposit and Trust Company. A MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the fund and to provide suggestions to enhance the pool.

The Wicomico County Free Library, Inc.

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

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

RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also deferred revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year deferred revenue for delinquent property taxes receivable reported in the general fund was \$235,758. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due from Other Governmental Agencies.

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

RECEIVABLES (Continued)

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

	Governmental				
	General Fund	Grants Fund	Roads	Other	Total
Receivables					
Taxes receivable	\$ 2,121,629	\$ -	\$ -	\$ -	\$ 2,121,629
Notes receivable	-	-	-	493,668	493,668
Due from other governments	7,573,073	1,088,756	-	93,771	8,755,600
Other receivables	667,836	2,534	762,170	57,853	1,490,393
Gross receivable	10,362,538	1,091,290	762,170	645,292	12,861,290
Less allowance for uncollectibles	1,268,747	-	-	-	1,268,747
Net total receivables	<u>\$ 9,093,791</u>	<u>\$ 1,091,290</u>	<u>\$ 762,170</u>	<u>\$ 645,292</u>	<u>\$ 11,592,543</u>
	Business-Type				
	Solid Waste	Airport	Nursing Home	Other	Total
Receivables					
Accounts receivable	\$ 959,781	\$ 33,856	\$ 1,049,339	\$ 314,919	\$ 2,357,895
Receivables from other governments	-	1,667,932	-	22,542	1,690,474
Other receivables	5,026	-	-	6,300	11,326
Gross receivable	964,807	1,701,788	1,049,339	343,762	4,059,695
Less allowance for uncollectibles	2,428	-	275,000	-	277,428
Net total receivables	<u>\$ 962,379</u>	<u>\$ 1,701,788</u>	<u>\$ 774,339</u>	<u>\$ 343,762</u>	<u>\$ 3,782,267</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:  
Primary Government:

	Balance, as Restated June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
Capital assets not being depreciated				
Land	\$ 4,550,486	\$ -	\$ -	\$ 4,550,486
Construction in progress	337,593	392,295	(86,926)	642,962
Total capital assets, not being depreciated	4,888,079	392,295	(86,926)	5,193,448
Capital assets being depreciated				
Infrastructure	166,522,364	2,110,596	-	168,632,960
Land improvements	119,967	24,238	-	144,205
Buildings and improvements	35,659,782	-	-	35,659,782
Machinery, office furniture and equipment	5,319,339	1,665,327	(84,930)	6,899,736
Vehicles	8,078,130	1,369,078	(206,276)	9,240,932
Total capital assets being depreciated	215,699,582	5,169,239	(291,206)	220,577,615
Total capital assets	\$ 220,587,661	\$ 5,561,534	\$ (378,132)	\$ 225,771,063
Accumulated depreciation				
Infrastructure	\$ (111,451,961)	\$ (3,194,030)	\$ -	\$ (114,645,991)
Land improvements	(8,421)	(7,263)	-	(15,684)
Buildings and improvements	(19,324,235)	(1,020,424)	-	(20,344,659)
Machinery, office furniture and equipment	(3,111,151)	(477,395)	48,624	(3,539,922)
Vehicles	(6,676,397)	(625,378)	206,276	(7,095,499)
Total accumulated depreciation	(140,572,165)	(5,324,490)	254,900	(145,641,755)
Governmental activities capital assets, net	\$ 80,015,496	\$ 237,044	\$ (123,232)	\$ 80,129,308

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CAPITAL ASSETS (Continued)

	Balance, as Restated June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
Capital assets not being depreciated				
Land	\$ 2,654,735	\$ 1,456,868	\$ -	\$ 4,111,603
Construction in progress	822,331	96,136	-	918,467
Total capital assets not being depreciated	<u>3,477,066</u>	<u>1,553,004</u>	<u>-</u>	<u>5,030,070</u>
Capital assets being depreciated				
Land improvements	4,346,796	49,400	-	4,396,196
Land disposal sites – liner costs	10,753,417	6,109,415	-	16,862,832
Runways and ramps	25,886,668	9,224,582	-	35,111,250
Buildings and improvements	27,068,087	84,647	-	27,152,734
Machinery, office furniture and equipment	7,730,024	899,779	(28,046)	8,601,757
Vehicles	1,394,592	319,499	-	1,714,091
Total capital assets being depreciated	<u>77,179,584</u>	<u>16,687,322</u>	<u>(28,046)</u>	<u>93,838,860</u>
Total capital assets	<u>\$ 80,656,650</u>	<u>\$ 18,240,326</u>	<u>\$ (28,046)</u>	<u>\$ 98,868,930</u>
Accumulated depreciation				
Land improvements	\$ (1,779,051)	\$ (82,624)	\$ -	\$ (1,861,675)
Land disposal sites – liner costs	(7,028,865)	(410,107)	-	(7,438,972)
Runways and ramps	(11,388,722)	(1,470,480)	-	(12,859,202)
Buildings and improvements	(14,593,199)	(560,536)	-	(15,153,735)
Machinery, office furniture and equipment	(4,322,011)	(973,428)	28,046	(5,267,393)
Vehicles	(986,083)	(180,573)	-	(1,166,656)
Total accumulated depreciation	<u>\$ (40,097,931)</u>	<u>\$ (3,677,748)</u>	<u>\$ 28,046</u>	<u>\$ (43,747,633)</u>
Business-type activities capital assets, net	<u>\$ 40,558,719</u>	<u>\$ 14,562,578</u>	<u>\$ -</u>	<u>\$ 55,121,297</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 265,514
Public Safety	1,176,746
Public Works	3,519,352
Health & Welfare	41,801
Culture & Recreation	318,491
Education	2,586
Total depreciation exp – governmental activities	<u>\$ 5,324,490</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 1,020,253
Solid Waste – land disposal sites	410,107
Airport	1,747,701
Nursing Home	152,794
Urban Services	41,367
Convention & Visitors Bureau	12,484
Civic Center	293,042
Total depreciation expense – business-type activities	<u>\$ 3,677,748</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CAPITAL ASSETS (Continued)

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
Capital assets not being depreciated				
Land	\$ 400,062	\$ 1,624,047	\$ -	\$ 2,024,109
Construction in progress	5,667,256	14,856,409	(4,623,263)	15,900,402
Total capital assets not being depreciated	<u>6,067,318</u>	<u>16,480,456</u>	<u>(4,623,263)</u>	<u>17,924,511</u>
Capital assets being depreciated				
Buildings and improvements	154,816,248	5,194,552	(219,738)	159,791,062
Machinery, office furniture and equipment	15,329,533	2,560,653	(801,157)	17,089,029
Vehicles	1,102,432	195,346	(29,209)	1,268,569
Total capital assets being depreciated	<u>171,248,213</u>	<u>7,950,551</u>	<u>(1,050,104)</u>	<u>178,148,660</u>
Total capital assets	<u>\$ 177,315,531</u>	<u>\$ 24,431,007</u>	<u>\$ (5,673,367)</u>	<u>\$ 196,073,171</u>
Accumulated depreciation				
Buildings and improvements	\$ (42,292,942)	(3,638,551)	219,738	(45,711,755)
Machinery, office furniture and equipment	(9,601,269)	(1,822,661)	801,157	(10,622,773)
Vehicles	(638,550)	(121,031)	29,209	(730,372)
Total accumulated depreciation	<u>(52,532,761)</u>	<u>(5,582,243)</u>	<u>1,050,104</u>	<u>(57,064,900)</u>
Governmental activities capital assets, net	<u>\$ 124,782,770</u>	<u>\$ 18,848,764</u>	<u>\$ (4,623,263)</u>	<u>\$ 139,008,271</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
Capital assets being depreciated				
Machinery, equipment and vehicles	\$ 1,807,496	\$ 70,059	\$ (37,641)	\$ 1,839,914
Accumulated depreciation	<u>(1,509,040)</u>	<u>(41,475)</u>	<u>37,641</u>	<u>(1,512,874)</u>
Business-type activities capital assets, net	<u>\$ 298,456</u>	<u>\$ 28,584</u>	<u>\$ -</u>	<u>\$ 327,040</u>



**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

CAPITAL ASSETS (Continued)

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

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

GOVERNMENTAL ACTIVITIES

Administration	\$ 292,152
Instruction services	5,099,390
Operation of plant	190,701
Depreciation – total	<u>\$ 5,582,243</u>

BUSINESS-TYPE ACTIVITIES:

Food services	<u>\$ 41,475</u>
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Wicomico County Free Library, Inc. (discretely presented component unit):

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets not being depreciated				
Land	\$ 80,820	-	-	\$ 80,820
Capital assets being depreciated				
Buildings and improvements	2,409,235	8,166	-	2,417,401
Machinery, office furniture and equipment	1,239,301	96,938	(31,642)	1,304,597
Vehicles – bookmobile	109,472	178,634	(109,472)	178,634
Library collections	1,780,026	255,801	(259,846)	1,775,981
Total capital assets being depreciated	<u>5,538,034</u>	<u>539,539</u>	<u>(400,960)</u>	<u>5,676,613</u>
Total capital assets	\$ 5,618,854	539,539	(400,960)	\$ 5,757,433
Accumulated depreciation	<u>(3,511,843)</u>	<u>(395,795)</u>	<u>397,789</u>	<u>(3,509,849)</u>
Governmental activities capital assets, net	<u>\$ 2,107,011</u>	<u>143,744</u>	<u>(3,171)</u>	<u>\$ 2,247,584</u>

Depreciation expense of \$395,795 was charged to Library services.

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

INTERFUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government		
General	Grants	\$ 554,452
	Capital Projects	564,098
	Recreation	21,160
	Tax Ditches	35,113
	Solid Waste	2,680,924
	Urban Services	94,695
	Civic Center	895,416
	Other	1,036
	Fiduciary Funds	112,673
Solid Waste	Roads	250,000
		\$ 5,209,567

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

INTERFUND TRANSACTIONS

A summary of interfund transfers follows:

Fund	Operating Transfers In	Operating Transfers Out
General Fund:		
Capital Projects	\$ -	\$ 7,670,000
Roads	-	1,964,935
Recreation	160,249	6,652
Solid Waste	-	97,624
Civic Center	-	483,566
Grants		
Recreation	5,941	-
Capital Projects		
General Fund	7,670,000	-
Roads		
General Fund	1,964,935	-
Recreation		
General Fund	6,652	160,249
Grants	-	5,941
Convention & Visitors Bureau	-	128,223
Civic Center	-	116,551
Solid Waste		
General Fund	97,624	-
Convention & Visitors Bureau		
Grants	-	-
Recreation	128,223	-
Civic Center	19,334	-
Civic Center		
General Fund	483,566	-
Recreation	116,551	-
Tourism	-	19,334
	<u>\$ 10,653,075</u>	<u>\$ 10,653,075</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

INTERFUND TRANSACTIONS (Continued)

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

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The County issued debt in the form of general obligation bonds, revenue bonds of the Wicomico County Urban Service Commission, and State loans under the Maryland Industrial and Commercial Redevelopment Fund (MICRF), and the Maryland Supplemental Public Schools Construction and Capital Improvement Loan programs. General obligation bonds have been issued for both general government and enterprise activities. These bonds are reported in the enterprise funds if they are expected to be paid from enterprise fund revenues. The original amount of general obligation bonds issued in prior years was \$100,577,310. During the year, general obligation bonds totaling \$11,225,000 were issued for new projects.

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

The County's debt is limited to 3.2% of total assessed value of real property plus 8% of total assessed value of personal property located within the County. The debt margin permitted at June 30, 2007 amounted to \$127,002,072 after considering various debt obligations of \$80,245,159 as listed in the following schedule.

As shown on the combined statement of net assets, total debt of the primary government including all blended component units is \$83,722,185. However, based on information from the County, and as reported in the audited financial statements of the Wicomico Nursing Home, there is no recourse to the County on the mortgage payable of that facility. Therefore, the amount of that indebtedness, or \$1,426,491, is removed from total primary government debt below and is also excluded from the County's limitation on bonded debt.

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2007:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>						
Bonds payable						
General obligation						
bonds	2.0-5.9%	\$ 73,482,062	\$ 11,225,000	\$ (6,720,287)	\$ 77,986,775	\$ 7,004,216
Other loans payable						
Maryland Water						
Quality loans	4.89%	218,790	-	(32,251)	186,539	33,829
State loans	5.5%	231,968	-	(22,875)	209,093	24,159
Other loans	4.9-6.1%	20,387	-	(3,005)	17,382	3,152
Other loans payable		471,145	-	(58,131)	413,014	61,140
Total bonds and loans payable		73,953,207	11,225,000	(6,778,418)	78,399,789	7,065,356
Capital lease obligations	*	136,515	663,111	(367,008)	432,618	211,399
Governmental activity						
long-term liabilities		74,089,722	11,888,111	(7,145,426)	78,832,407	7,276,755
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>						
Bonds payable						
General obligation						
bonds	3.5-5.9%	1,925,959	-	(188,454)	1,737,505	181,918
Revenue bonds	6.0-7.0%	55,000	-	(30,000)	25,000	-
		1,980,959	-	(218,454)	1,762,505	181,918
Other loans payable						
Maryland Water						
Quality loans	3.5-4.9%	283,294	-	(175,429)	107,865	19,563
Mortgage payable	4.36%	1,542,967	-	(116,476)	1,426,491	116,476
		1,826,261	-	(291,905)	1,534,356	136,039
Total bonds and loans payable		3,807,220	-	(510,359)	3,296,861	317,957
Capital lease obligations	*	1,683,483	393,000	(483,570)	1,592,913	493,709
Business-type activity						
long-term liabilities		5,490,703	393,000	(993,929)	4,889,774	811,666
Less: Nursing Home		(1,542,967)	-	116,476	(1,426,491)	(116,476)
Business-type activity long-term						
liabilities, primary government		3,947,736	393,000	(877,453)	3,463,283	695,190
Total debt, primary government		78,037,458	12,281,111	(8,022,879)	82,295,690	7,971,945
* Debt not subject to limitation		(1,874,998)	(1,056,111)	880,578	(2,050,531)	(705,108)
Debt subject to limitation		\$ 76,162,460	\$ 11,225,000	\$ (7,142,301)	\$ 80,245,159	\$ 7,266,837

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 7,065,356	\$ 3,244,593	\$ 201,481	\$ 79,080
2009	7,223,899	2,952,654	227,132	71,665
2010	7,396,529	2,652,224	203,080	62,281
2011	7,509,532	2,342,489	204,775	54,463
2012-2015	25,590,910	6,224,069	757,234	132,077
2016-2019	16,982,296	2,674,683	196,407	37,320
2020-2022	6,631,267	414,706	53,727	2,506
	<u>\$ 78,399,789</u>	<u>\$ 20,505,418</u>	<u>\$ 1,843,836</u>	<u>\$ 439,392</u>
Add: prepaid debt	-	-	26,534	-
Total debt service requirements	<u>\$ 78,399,789</u>	<u>\$ 20,505,418</u>	<u>\$ 1,870,370</u>	<u>\$ 439,392</u>

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

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Primary Government	
	General Long-Term Debt	Solid Waste Landfill Enterprise Fund
2008	\$ 230,492	\$ 550,197
2009	230,492	513,111
2010	-	462,225
2011	-	162,985
2012	-	14,523
	<u>460,984</u>	<u>1,703,041</u>
Amounts representing interest	(28,366)	(110,128)
Present value of future minimum lease payments	<u>\$ 432,618</u>	<u>\$ 1,592,913</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital leases	<u>\$ 1,556,334</u>	<u>\$ 1,934,359</u>	<u>\$ (1,226,399)</u>	<u>\$ 2,264,294</u>	<u>\$ 939,438</u>

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The Board's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 5% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1<sup>st</sup> through August 31<sup>st</sup>. For the period ended August 31, 2006, the Board's share of the consortium's settlement was a surplus of \$818,602, which was recognized as an other financing source during the year ended June 30, 2007.

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

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Board of Education
2008	\$ 1,027,139
2009	883,932
2010	512,750
	2,423,821
Amounts representing interest	(159,527)
Present value of future minimum lease payments	\$ 2,264,294

**OTHER LIABILITY**

In December, 2001 the Wicomico County Urban Services Commission and Wicomico County entered into an agreement with the City of Fruitland for the purpose of providing water and/or sewer services to areas designated as the service area for the City of Fruitland in the "Wicomico County Comprehensive Water and Sewer Plan". Under this agreement, the City of Fruitland agrees to construct and maintain all lines and charge 150% of their current City rate for services, with 2% of the gross revenue being remitted to the Commission by the City. As of June 30, 2007 there were no charges for services under this agreement. As part of the agreement, the County paid the City of Fruitland \$1,800,000 for expansion and upgrade of the City's existing water treatment and wastewater treatment plant and contracted to pay the City an amount equal to a portion of the City's debt on these facilities at the time of the contract, or \$1,678,234 plus interest. This payment will be made, in installments, over the existing life of the current loans. Total payment in the current year for principal and interest was \$180,036. The balance due as of June 30, 2007 was \$1,121,886.

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**ACCRUED COMPENSATED ABSENCES**

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

Changes in accrued compensated absences for the year ended June 30, 2007 are as follows:

	<u>June 30, 2006</u>	<u>Increase/(Decrease)</u>	<u>June 30, 2007</u>
Primary government:			
Governmental activities	\$ 2,474,191	\$ 163,082	\$ 2,637,273
Business-type activities	303,069	23,290	326,359
Total Primary government	<u>\$ 2,777,260</u>	<u>\$ 186,372</u>	<u>\$ 2,963,632</u>
	<u>June 30, 2006</u>	<u>Increase/(Decrease)</u>	<u>June 30, 2007</u>
Component units:			
Board of Education of Wicomico Co.	1,861,259	(71,362)	1,789,897
Wicomico County Free Library	137,832	8,879	146,711
Total Component Units	<u>\$ 1,999,091</u>	<u>\$ (62,483)</u>	<u>\$ 1,936,608</u>

**ARBITRAGE PAYABLE**

Wicomico County's arbitrage consultant has advised that as of January 7, 2008, there is likely to be an arbitrage liability on one of the County's bond issuances that must be paid to the federal government. The amount, if any, will be determined by expenditures made as of that date, including expenditures made between July 1, 2007 and January 7, 2008. Funding for any liability will be through the County's Arbitrage Reserve.

**PENSION AND RETIREMENT PLANS**

Retirement Plan for the Employees of Wicomico County, Maryland

Plan Description

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

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



**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

Plan Description (Continued)

Normal retirement is the earlier of a participant's 25<sup>th</sup> anniversary or, the later of (1) a participant's 55<sup>th</sup> birthday and (2) 5 years of service. Early retirement and disability benefits are provided. Normal form of pension is a modified cash refund annuity. Fees paid by the plan for administration expense for the year ended June 30, 2006 were \$114,061.

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2006.

Active eligible	536
Terminated with vested rights	28
Retired	90
	654
	654

The Plan does not issue separate financial statements.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County. Employees who are at least 21 years of age, have not attained the age of 65, and have successfully completed their initial probationary period are required to participate in the County Plan as a condition of their employment and to make contributions amounting to 5.625% of earnings. A participant is 100% vested after five years of service. The County is required to contribute an actuarially determined amount; for the year ended June 30, 2007 that amount was \$1,981,571.

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$	1,981,571
Interest on net pension obligation		55,634
Adjustment to annual required contribution		(29,808)
Annual pension cost		2,007,397
Contributions made		3,024,237
Decrease in net pension obligation		(1,016,840)
Net pension obligation beginning of year		695,420
Net pension obligation end of year	\$	-

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2006 actuarial valuation using the frozen entry age normal (fresh start as of July 1, 1995). The actuarial assumptions include an 8% investment rate of return, 1% administrative expense and projected salary increase and rate of inflation of 5.5%.

The actuarial value of assets was determined using asset information as of June 30, 2006 provided by the plan sponsors and designees at market value. The changes in fiduciary net assets are for the year ended June 30, 2006 and on the cash basis.

The assumptions do not include post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period used at June 30, 2006 was twenty-nine years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2005	2,481,829	113.6%	2,426,461
June 30, 2006	2,117,828	181.7%	695,420
June 30, 2007	2,007,397	188.2%	-

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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PENSION AND RETIREMENT PLANS (Continued)

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

When the County implemented its present pension program, a certain number of its employees who were covered by the Employees Retirement and Pension System, a plan administered by the State of Maryland, elected to remain in the State plan. The County's contribution to the State plan consists of two elements: a current contribution equal to 9.6% of the employee's earnings (subject to certain limitations with respect to overtime) and a contribution to cover the unfunded accrued liability for the plan. In fiscal year 2007, the County's total contribution amounted to \$31,092 which includes a portion sufficient to amortize the unfunded accrued liability by the year 2020.

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

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

Pension Plans for the Board of Education of Wicomico County

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

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

Teachers and related occupations are covered by the Teachers Retirement System or the Teachers Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. Except for restricted programs as described below, the State pays virtually all the employer's annual contribution. Total contributions paid by the State to the Plan for the year ended June 30, 2007 were \$7,477,982. For teachers and other employees whose retirement expense is reimbursed from Federal Restricted Grants, the Board remits monthly payments to the State which represent the amount of retirement expense charged to these restricted programs. The Board has no contingent liability for funding deficits in the system should such occur.

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

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

Year Ended June 30	Annual Pension Cost	Percentage Contributed
2005	\$ 539,196	100%
2006	\$ 508,066	100%
2007	\$ 524,381	100%

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

Significant Plan Benefits and Policies

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

Teachers Retirement System

A. Retirement Benefits

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

B. Vested Allowance

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

C. Employee and Employer Contributions

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

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

Teachers Pension Systems

A. Retirement Benefits

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

B. Vested Allowance

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

C. Employee and Employer Contributions

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

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

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2007 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 99,510,276
Payroll covered under the plans	\$ 92,195,481

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

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

General Plan Policies

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

Significant Plan Benefits and Policies

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

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

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
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PENSION AND RETIREMENT PLANS (Continued)

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

Significant Plan Benefits and Policies

D) Benefit at Retirement:

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

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

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2007 and payroll covered under the Plan is as follows:

Total payroll	\$ 99,510,276
Payroll covered under the plans	\$ 7,923,205

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 157,937	100%
1999	\$ 101,350	100%
2000	\$ 142,195	100%
2001	\$ 242,949	100%
2002	\$ 254,142	100%
2003	\$ 418,903	89%
2004	\$ 479,018	80%
2005	\$ 460,582	92%
2006	\$ 481,038	98%
2007	\$ 446,222	100%

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

Employer's Payroll Covered Under the Plan (Continued)

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

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

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 407,276
Adjustment to annual required contribution	38,946
Annual pension cost	446,222
Contributions made	444,362
Increase in net pension obligation	<u>\$ 1,860</u>
Net pension obligation at beginning of year	<u>\$ -</u>
Net pension obligation at end of year	<u>\$ -</u>



**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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PENSION AND RETIREMENT PLANS (Continued)

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll
7/1/1997	8,854,185	8,597,270	(256,915)	103%	3,944,900	(6.51%)
7/1/1998	9,544,099	8,519,778	(1,024,321)	112%	4,225,210	(24.24%)
7/1/1999	9,832,269	9,042,973	(789,296)	109%	4,725,072	(16.70%)
7/1/2000	9,801,306	9,610,680	(190,626)	102%	4,831,638	(3.95%)
7/1/2001	10,513,887	10,125,989	(387,898)	104%	5,418,831	(7.16%)
7/1/2002	9,889,757	10,932,388	1,042,631	90%	5,677,963	18.36%
7/1/2003	10,066,394	11,637,837	1,571,443	86%	5,951,447	26.40%
7/1/2004	11,230,846	12,556,267	1,325,421	89%	6,353,085	20.86%
7/1/2005	12,113,245	13,883,815	1,770,570	87%	6,708,737	26.40%
7/1/2006	13,375,529	14,610,973	1,235,444	92%	7,034,996	17.56%

**WICOMICO COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

401(a) Matching Plan

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

The vesting schedule is as follows:

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

During the year ended June 30, 2007, there were 1,074 eligible participants for whom the Board contributed a total of \$237,520.

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

General Plan Policies

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

Certain on-behalf payments are made by the State of Maryland that represent contributions to a pension plan for which the employer government is not legally responsible. The total of these on-behalf payments, which are recorded by the Library as revenues and expenditures, was \$89,092 and \$87,184 for the years ended June 30, 2007 and 2006, respectively.

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

PENSION AND RETIREMENT PLANS (Continued)

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

General Plan Policies (Continued)

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

Employees' and Teachers' Retirement Systems

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

A. Retirement Benefits

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

B. Vested Allowance

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

C. Employee and Employer Contributions

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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PENSION AND RETIREMENT PLANS (Continued)

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

Employees and Teachers' Pension Systems

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

A. Retirement Benefits

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

B. Vested Allowance

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

C. Employee and Employer Contributions

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

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**DEFERRED COMPENSATION PLAN**

The County offers certain employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The County matches 20%. The match paid in 2007 was \$98,337. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred amounts are invested in various annuity contracts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the deferred compensation plan participants. The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the statement of net assets of the County.

**DEATH BENEFITS**

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

**POST-RETIREMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described above, the County provides post-retirement health care benefits as approved by the County Council to all retirees (and their dependents) who are eligible to retire under the County Pension System. The post-retirement health care benefit is also offered to certain County employees who retire under the State Retirement System, are at the age to receive Social Security benefits and have at least ten years service with the County (public safety employees are eligible at age 60 with nine years service). The employee may retire and retain their health insurance coverage while paying the same percentage of contract cost as while employed which as of June 30, 2007 was 15% of employee cost and 25% of dependent coverage.

For the year ended June 30, 2007 there were 115 participants receiving post-retirement health care benefits at a cost to the County of \$648,863.

In July 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for the County for periods beginning after December 15, 2008. The County has not yet determined the effect this Statement will have on its financial statements.

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

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Healthcare Benefits Plan For Employees At The Board of Education of Wicomico County (continued)

For the fiscal year ended June 30, 2007 the Board funded 55% of the individual health care insurance costs for retirees who had accumulated at least 15 years of service with the Board prior to their retirement. Approximately 600 retirees, who have worked for at least five years are eligible to participate in the post-retirement benefit program.

Plan Description

The Board of Education of Wicomico County sponsors a single-employer post-retirement medical plan. The plan provides medical, prescription, dental and vision benefits to eligible retirees and their spouses.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For fiscal year 2006-2007, the Board contributed \$1.723 million to the plan, including \$1.513 million for current claim costs (approximately 55% of total premiums) and an additional \$210 thousand to pre-fund benefits. Plan members receiving benefits contributed approximately 45% of the total claim costs premiums, through their required contributions of \$217 per month for retiree-only coverage and \$852 for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 2,432,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	2,432,000
Contributions Made	(1,723,000)
Increase in Net OPEB Obligation	709,000
Net OPEB Obligation at Beginning Of Year	-
<b>NET OPEB OBLIGATION AT END OF YEAR</b>	<b>\$ 709,000</b>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Post-Retirement Healthcare Benefits Plan For Employees At The Board of Education of Wicomico County (continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2007 was as follows:

FISCAL YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
6/30/07	\$ 2,432,000	70.8%	\$ 709,000

Funded Status and Funding Progress

As of July 1, 2006, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$30,475,000 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$30,475,000.

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

Actuarial Methods and Assumptions

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

In the July 1, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2006 was 30 years.

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The \$5,627,754 reported as landfill closure and post closure care cost liability at June 30, 2007, represents the cumulative amount reported to date based upon attaining 61.7% of the estimated capacity of open cells #1 and cell #2 and 75% of the estimated capacity of open cells #3 and #4 at the landfill and monitoring all cells, including closed cells, for thirty years. The County will recognize the remaining estimated cost of closure and post closure care estimated to be \$1,327,901 as the remaining capacity is filled. The estimated remaining life is 31 years. These amounts are based on estimated cost to perform all closure and post closure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Though there are currently no legal restrictions on available funds, the County has approximately \$5,300,000 of currently available unrestricted net assets which may be used for landfill closure and post closure costs.

The County is currently in the final stage of construction of new cells #5 and #6 at the landfill at a current cost as of June 30, 2007 of \$6,109,415. Since cells #5 and #6 are not in use a liability for closure or post closure costs has not been recorded.

**RESERVED AND DESIGNATED FUND EQUITY**

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

Shore Transit	\$ 42,466
Self - insurance	877,093
Reserve for contingencies and emergencies	6,021,529
Death benefits	391,999
GIS mapping project	75,100
Arbitrage	101,649
Chamber improvements	1,377
Rate stabilization	1,230,127
Health department	107,728
Senior Center	573,553
Working capital, Detention Center vending	<u>1,000</u>
	<u>\$ 9,423,621</u>



**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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COMMITMENTS AND CONTINGENCIES

Wicomico County, Maryland

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

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

The Wicomico County Urban Services Commission continues to abide by an expired contract with the City of Salisbury to purchase water and sewer supplied to a district. The Wicomico County Urban Services Commission is required to charge this district 150% of the City's standard rate and remit 80% of the billings to the City. Total collections and payments for the year ended June 30, 2007 were \$335,694. The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections and payments for the districts for 2007 were \$26,330.

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

Wicomico Nursing Home

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

Correspondence has been received from DHHS stating that the Wicomico Nursing Home has a deficit for uncompensated services. The amount of the cumulative deficit, as determined by the DHHS and adjusted for the CPI through June 30, 2007, is approximately \$447,593. In the opinion of management, the Wicomico Nursing Home is financially unable to fulfill its uncompensated services obligation through the provision of the Hill-Burton services.

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico Nursing Home (Continued)

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

The Board of Education of Wicomico County

The Board has signed contracts for the renovation of Prince Street Elementary in the amount of \$19,673,826. At June 30, 2007, \$11,432,331 had been expended.

The Board has signed architect and engineering contracts for the reconstruction of James M. Bennett High School in the amount \$1,151,150. At June 30, 2007 \$863,030 had been expended. The Board expects to begin actual construction in the Spring of 2008. The cost estimated to be approximately \$80 million to be funded with County and State revenues.

The Wicomico County Free Library. Inc.

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

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

RISK MANAGEMENT

Wicomico County, Maryland

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

The Board of Education of Wicomico County

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

**WICOMICO COUNTY, MARYLAND**  
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RISK MANAGEMENT (Continued)

The Board of Education of Wicomico County (Continued)

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 Board of Education of Wicomico County continues to carry commercial insurance for other risks of loss, including general liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

The Wicomico County Free Library, Inc.

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

As of June 30 of each year, expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Library anticipates no additional liabilities for potential claims against the Library as of June 30, 2007. Therefore the Statement of Net Assets contains no provision for, and it also does not present, estimated claims.

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

The Wicomico County Urban Services Commission

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

CONDUIT DEBT OBLIGATIONS

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

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2006 has been restated for the governmental funds as follows:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund equity as previously reported	\$ 38,651,826	\$ 1,823,959	\$ 17,555,175	\$ 6,202,249	\$ 1,694,087	\$ 65,927,296
Reclassification of Narcotics Task Force to a separate Fiduciary Fund	110,366	-	-	-	(294,057)	(183,691)
Establish jury fund cash account within general fund	7,671	-	-	-	-	7,671
Over accrual of prior year receivable on per diem	(149,862)	-	-	-	-	(149,862)
Over accrual of prior year receivable on Cedar Hill Dredging	-	(703,041)	-	-	-	(703,041)
Reclassification of health department reserve	107,728	-	-	-	-	107,728
Reclassification of fund balance among governmental funds	(34,942)	34,942	-	-	-	-
Other adjustments	(9,445)	6,913	(1)	-	998	(1,535)
Fund equity at June 30, 2006 as restated	<u>\$ 38,683,342</u>	<u>\$ 1,162,773</u>	<u>\$ 17,555,174</u>	<u>\$ 6,202,249</u>	<u>\$ 1,401,028</u>	<u>\$ 65,004,566</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

PRIOR PERIOD ADJUSTMENTS (Continued)

Fund equity at June 30, 2006 has been restated for the enterprise funds as follows:

	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>	<u>Convention &amp; Visitors Bureau</u>	<u>Youth &amp; Civic Center</u>	<u>Urban Services &amp; Other Funds</u>	<u>Total Enterprise Funds</u>
Fund equity at June 30, 2006 as previously reported	\$ 13,210,683	\$ 24,582,388	\$ 2,380,971	\$ 606,032	\$ 7,033,656	\$ 1,750,587	\$ 49,564,317
Removal of assets below threshold established by County	-	-	-	-	(25,991)	-	(25,991)
Inclusion of expense reported in improper period	-	-	-	-	-	(60,450)	(60,450)
Other adjustments	-	(2)	-	-	-	-	(2)
Fund equity at June 30, 2006 as restated	<u>\$ 13,210,683</u>	<u>\$ 24,582,386</u>	<u>\$ 2,380,971</u>	<u>\$ 606,032</u>	<u>\$ 7,007,665</u>	<u>\$ 1,690,137</u>	<u>\$ 49,477,874</u>

**WICOMICO COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net assets at June 30, 2006 have been restated for the governmental and business type activities in the government-wide financial statements as follows:

	Governmental Activities	Business-Type Activities
Net assets at June 30, 2006 as previously reported	\$ 68,444,230	\$ 49,564,317
Net changes to governmental funds (on previous page)	(922,730)	(86,443)
Removal of assets below threshold established by County	(260,937)	-
Reclassification of Narcotics Task Force vehicles to a fiduciary fund	(2,171)	-
Reclassification of accrued compensated absences	(115,948)	-
Adjustment to notes receivable	24,096	-
Other adjustments	4	-
Fund equity at June 30, 2006 as restated	\$ 67,166,544	\$ 49,477,874

REQUIRED SUPPLEMENTARY  
INFORMATION

**WICOMICO COUNTY, MARYLAND  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 54,635,557	\$ 54,635,557	\$ 58,063,142	\$ 3,427,585
Income taxes	40,250,700	40,250,700	44,816,979	4,566,279
Other taxes	5,770,680	5,770,680	7,227,322	1,456,642
Licenses and permits	1,130,950	1,130,950	1,187,009	56,059
Intergovernmental	1,185,195	1,185,195	804,306	(380,889)
Charges for services	7,596,043	7,596,043	7,755,449	159,406
Court fines and forfeitures	12,000	12,000	74,445	62,445
Miscellaneous	4,495	4,495	112,780	108,285
Investment earnings	1,375,000	1,375,000	3,734,981	2,359,981
Total revenues	<u>111,960,620</u>	<u>111,960,620</u>	<u>123,776,413</u>	<u>11,815,793</u>
<b>EXPENDITURES</b>				
General government				
Legislative/council	<u>405,708</u>	<u>407,708</u>	<u>226,329</u>	<u>181,379</u>
Total administrative/executive	<u>483,234</u>	<u>483,234</u>	<u>395,970</u>	<u>87,264</u>
Judicial				
Circuit Court	905,774	961,267	862,863	98,404
Orphans' Court	36,538	36,538	28,223	8,315
State's Attorney	1,423,356	1,492,348	1,492,348	-
Total Judicial	<u>2,365,668</u>	<u>2,490,153</u>	<u>2,383,434</u>	<u>106,719</u>
Elections	<u>907,042</u>	<u>907,042</u>	<u>689,356</u>	<u>217,686</u>
Management information systems	<u>578,098</u>	<u>644,284</u>	<u>533,549</u>	<u>110,735</u>
Financial administration				
Finance	1,037,079	1,037,079	1,000,265	36,814
Public Accountant	69,000	69,000	69,000	-
Purchasing	111,115	111,290	111,290	-
Total financial administration	<u>1,217,194</u>	<u>1,217,369</u>	<u>1,180,555</u>	<u>36,814</u>
Human resources	<u>460,785</u>	<u>466,785</u>	<u>390,464</u>	<u>76,321</u>
Legal	<u>295,000</u>	<u>295,000</u>	<u>280,930</u>	<u>14,070</u>



**WICOMICO COUNTY, MARYLAND  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007  
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
General government (continued)				
Community promotion				
Tourism and convention	35,000	35,000	20,951	14,049
Other	254,586	254,586	254,586	-
Total community promotion	<u>289,586</u>	<u>289,586</u>	<u>275,537</u>	<u>14,049</u>
Planning and zoning	<u>965,439</u>	<u>1,017,142</u>	<u>858,965</u>	<u>158,177</u>
Tri county council	<u>313,466</u>	<u>313,466</u>	<u>271,000</u>	<u>42,466</u>
General services	<u>808,207</u>	<u>812,052</u>	<u>795,994</u>	<u>16,058</u>
Total general government	<u>9,089,427</u>	<u>9,343,821</u>	<u>8,282,083</u>	<u>1,061,738</u>
Public safety				
Sheriff's Department	7,863,267	7,882,772	7,350,654	532,118
School Crossing Guards	60,000	60,000	52,990	7,010
Fire Department	6,215,261	6,232,627	5,965,137	267,490
Liquor License Board	176,351	182,961	182,961	-
Protection of animals	279,483	279,483	279,483	-
Total public safety	<u>14,594,362</u>	<u>14,637,843</u>	<u>13,831,225</u>	<u>806,618</u>
Detention Center	<u>11,131,903</u>	<u>11,586,569</u>	<u>11,574,058</u>	<u>12,511</u>
Public works				
Supervision	614,913	630,513	630,513	-
Weed control	5,000	5,000	2,058	2,942
Sanitation, water and sewer	180,036	180,036	180,036	-
Total public works	<u>799,949</u>	<u>815,549</u>	<u>812,607</u>	<u>2,942</u>

**WICOMICO COUNTY, MARYLAND  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>EXPENDITURES (Continued)</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Health				
Public Health	2,815,120	2,838,789	2,805,461	33,328
Mosquito control	123,219	123,219	96,135	27,084
Gypsy Moth control	3,000	3,000	613	2,387
<b>Total health</b>	<b>2,941,339</b>	<b>2,965,008</b>	<b>2,902,209</b>	<b>62,799</b>
Social services	773,932	773,932	200,409	573,523
Education				
Board of Education	48,329,815	48,329,815	48,329,815	-
Wicomico County Free Library	1,474,577	1,474,577	1,474,577	-
School Building Comm	1,000	1,000	433	567
Community College - grant	3,539,693	3,539,693	3,539,693	-
Extension Service	107,288	109,788	106,553	3,235
<b>Total education</b>	<b>53,452,373</b>	<b>53,454,873</b>	<b>53,451,071</b>	<b>3,802</b>
Recreation and culture				
Department of Recreation and Parks	1,746,692	1,778,355	1,734,865	43,490
Miscellaneous				
Social security	1,508,180	1,616,719	1,605,542	11,177
Funded retirement plan	2,974,085	2,974,085	2,951,959	22,126
OPEB	1,000,000	1,000,000	1,000,000	-
Provision for compensated absences	-	66,728	66,728	-
Hospitalization	3,785,227	4,026,637	4,015,942	10,695
Disability	70,973	44,409	44,409	-
Unemployment compensation	39,551	26,963	26,963	-
Death benefit sinking	80,000	57,766	57,766	-
Blood bank	3,400	815	815	-
Workers' compensation	839,002	505,558	127,056	378,502
Liability insurance	800,000	800,000	454,958	345,042
Sinking fund	50,000	50,000	-	50,000
Utilities	100,000	66,879	-	66,879
Departmental Expense 1	-	11,307	11,225	82
<b>Total miscellaneous</b>	<b>11,250,418</b>	<b>11,247,866</b>	<b>10,363,363</b>	<b>884,503</b>

**WICOMICO COUNTY, MARYLAND  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007  
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Debt Service				
Principal	6,577,822	6,654,066	6,567,094	86,972
Interest	3,298,414	3,222,170	3,222,170	-
Agent fees	48,000	48,000	29,586	18,414
	<u>9,924,236</u>	<u>9,924,236</u>	<u>9,818,850</u>	<u>105,386</u>
Total debt service				
	<u>9,924,236</u>	<u>9,924,236</u>	<u>9,818,850</u>	<u>105,386</u>
Total expenditures	<u>115,704,631</u>	<u>116,528,052</u>	<u>112,970,740</u>	<u>3,557,312</u>
Excess of revenues over (under) expenditures	<u>(3,744,011)</u>	<u>(4,567,432)</u>	<u>10,805,673</u>	<u>15,373,105</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other source	51,977	51,977	96,926	44,949
Transfers in	176,214	176,214	160,249	(15,965)
Transfers out	(5,045,550)	(10,222,777)	(10,222,777)	-
Appropriations of fund equity	14,252,537	16,343,436	-	(16,343,436)
Other uses	(5,691,167)	(1,781,418)	-	1,781,418
Total other financing uses	<u>3,744,011</u>	<u>4,567,432</u>	<u>(9,965,602)</u>	<u>(14,533,034)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>840,071</u>	<u>840,071</u>

**WICOMICO COUNTY, MARYLAND**  
**SCHEDULE OF PENSION PLAN FUNDING PROGRESS**  
**JUNE 30, 2007**

Date of Actuarial Report	Net Assets Available for Benefits	Pension Benefit Obligation	Unfunded Pension Benefit Obligation	Net Assets Expressed as Percentage AAL	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a percentage of covered Payroll
7/1/1995	\$ 5,105,675	\$ 5,927,547	\$ 821,872	86.13%	\$ 4,701,095	17.48%
7/1/1996	5,753,119	7,754,617	2,001,498	74.19%	4,767,724	41.98%
7/1/1997	6,680,501	8,675,866	1,995,365	77.00%	6,351,914	31.41%
7/1/1998	7,421,560	13,133,300	5,711,740	56.51%	7,751,167	73.69%
7/1/1999	8,459,699	14,129,784	5,670,085	59.87%	9,725,665	58.30%
7/1/2000	8,863,400	15,654,123	6,790,723	56.62%	9,582,409	70.87%
7/1/2001	10,877,778	17,633,377	6,755,599	61.69%	12,301,827	54.92%
7/1/2002	11,413,790	20,085,761	8,671,971	56.83%	13,695,865	63.32%
7/1/2003	13,161,165	22,103,272	8,942,107	59.54%	15,822,985	56.51%
7/1/2004	16,427,909	24,322,330	7,894,421	67.54%	17,541,485	45.00%
7/1/2005	19,845,654	27,075,903	7,230,249	73.03%	17,194,336	42.05%
7/1/2006	25,580,172	30,318,478	4,738,306	84.37%	18,792,937	25.21%

**SUPPLEMENTARY INFORMATION**

**WICOMICO COUNTY, MARYLAND**  
**REVENUE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 47,304,420	\$ 48,381,524	\$ 1,077,104
Railroads and public utilities	2,998,527	3,347,907	349,380
Ordinary business corporations	7,893,819	8,599,091	705,272
	<u>58,196,766</u>	<u>60,328,522</u>	<u>2,131,756</u>
Interest on delinquent taxes	250,000	501,452	251,452
	<u>58,446,766</u>	<u>60,829,974</u>	<u>2,383,208</u>
Manufacturing exemptions	(2,600,000)	(1,681,578)	918,422
Amount due subdivision (financial tax)	(21,209)	(21,209)	-
Net additions and abatements	(325,000)	(99,153)	225,847
Tax credits	(200,000)	(892,820)	(692,820)
Deferred and uncollected taxes	(325,000)	289,522	614,522
Discounts allowed	(340,000)	(361,594)	(21,594)
Total real and personal property taxes	<u>54,635,557</u>	<u>58,063,142</u>	<u>3,427,585</u>
Income taxes	<u>40,250,700</u>	<u>44,816,979</u>	<u>4,566,279</u>
Other taxes			
Admission and amusement	250,000	143,407	(106,593)
Recordation tax	4,688,000	5,874,835	1,186,835
911 telephone surcharge tax	562,680	895,914	333,234
Trailer park	270,000	313,166	43,166
Total other taxes	<u>5,770,680</u>	<u>7,227,322</u>	<u>1,456,642</u>
Total taxes	<u>100,656,937</u>	<u>110,107,443</u>	<u>9,450,506</u>
Licenses and permits			
Alcoholic beverages	174,950	168,318	(6,632)
Amusement	7,500	9,565	2,065
Traders	70,000	71,013	1,013
Animal	-	1,440	1,440
Building, equipment and electrical	253,000	208,479	(44,521)
Marriage	21,000	22,945	1,945
Cable TV franchise	600,000	702,128	102,128
Other	4,500	3,121	(1,379)
Total licenses and permits	<u>1,130,950</u>	<u>1,187,009</u>	<u>56,059</u>

**WICOMICO COUNTY, MARYLAND**  
**REVENUE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Intergovernmental</b>			
General government - states' attorney office	100,000	13,777	(86,223)
General government - circuit courts	500	152	(348)
Public safety - police	686,888	400,126	(286,762)
Public safety - emergency management	45,807	-	(45,807)
Public safety - detention center	-	1,028	1,028
Conservation of natural resources - Chesapeake Bay Critical Areas	32,000	12,048	(19,952)
Liquor board	320,000	320,000	-
Payments in lieu of taxes	-	57,175	57,175
Total intergovernmental	1,185,195	804,306	(380,889)
<b>Service charges and fees</b>			
Zoning and subdivision fees	1,040,461	1,146,863	106,402
General service charges	-	(663)	(663)
Room tax - administrative fee	9,675	22,845	13,170
Urban Services - administrative fee	54,000	54,000	-
Bay Restoration -administrative fee	-	36,927	36,927
HAZMAT - administrative fee	54,453	58,161	3,708
City of Salisbury - share of building expenses	111,375	99,260	(12,115)
City of Salisbury - shared Planning & Zoning expenses	150,000	150,000	-
City of Salisbury - share of MIS	65,000	46,490	(18,510)
City of Salisbury - share of Human Resources	100,000	79,313	(20,687)
State's attorney	40,000	51,225	11,225
Sheriff's fees	443,331	501,043	57,712
Sheriff's services - Board of Education	594,360	470,671	(123,689)
Fire safety fees	200,000	220,399	20,399
Reimbursement - Solid Waste	28,268	28,268	-
Detention Center - local charges	452,073	419,366	(32,707)
Detention Center - reimbursement for inmates	4,012,867	4,115,050	102,183
Juror fees	110,000	120,300	10,300
Health - mosquito control fees	88,000	68,374	(19,626)
Recreation program fees	42,180	34,770	(7,410)
Miscellaneous fees, rentals and sales	-	32,787	32,787
Total service charges and fees	7,596,043	7,755,449	159,406

**WICOMICO COUNTY, MARYLAND**  
**REVENUE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Court fines and forfeitures	<u>12,000</u>	<u>74,445</u>	<u>62,445</u>
Miscellaneous	<u>4,495</u>	<u>112,780</u>	<u>108,285</u>
Interest	<u>1,375,000</u>	<u>3,734,981</u>	<u>2,359,981</u>
Total revenues	<u><u>\$ 111,960,620</u></u>	<u><u>\$ 123,776,413</u></u>	<u><u>\$ 11,815,793</u></u>



**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 117,298	\$ 117,298	\$ -
Council travel	14,718	14,718	-
Salaries - general	70,635	33,571	37,064
Advertising	16,000	6,126	9,874
Travel	1,500	617	883
Operating expenditures	86,257	30,305	55,952
Capital outlay	101,300	23,694	77,606
Total legislative/council	<u>407,708</u>	<u>226,329</u>	<u>181,379</u>
Administrative			
Salaries	34,026	33,215	811
Salaries - general	281,062	281,062	-
Advertising	3,846	2,384	1,462
Travel	4,000	886	3,114
Operating expenditures	89,800	38,205	51,595
Capital outlay	70,500	40,218	30,282
Total administrative/executive	<u>483,234</u>	<u>395,970</u>	<u>87,264</u>
Judicial			
Circuit Court			
Salaries - general	345,625	325,410	20,215
Salaries - court stenographer	169,992	169,992	-
Grand jury and jurors	160,671	160,671	-
Operating expenditures	129,508	52,849	76,659
Stenographer expenditures	15,700	14,170	1,530
Capital outlay	139,771	139,771	-
Total Circuit Court	<u>961,267</u>	<u>862,863</u>	<u>98,404</u>
Orphans' Court			
Salaries - general	16,800	14,499	2,301
Retirement	4,608	1,536	3,072
Operating expenditures	14,130	12,038	2,092
Capital outlay	1,000	150	850
Total Orphans' Court	<u>36,538</u>	<u>28,223</u>	<u>8,315</u>
State's Attorney			
Salaries - general	1,267,933	1,267,933	-
Salaries - attorneys	103,921	103,921	-
Operating expenditures	116,310	116,310	-
Capital outlay	4,184	4,184	-
Total State's Attorney	<u>1,492,348</u>	<u>1,492,348</u>	<u>-</u>
Total judicial	<u>2,490,153</u>	<u>2,383,434</u>	<u>106,719</u>
Elections			
Salaries - general	251,020	234,532	16,488
Retirement	13,645	13,641	4
Health insurance	31,140	31,133	7
Operating expenditures	358,422	314,652	43,770
Capital outlay	252,815	95,398	157,417
Total elections	<u>907,042</u>	<u>689,356</u>	<u>217,686</u>

**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (Continued)			
Management information systems			
Salaries - general	283,498	262,316	21,182
Operating expenditures	158,462	114,625	43,837
Capital outlay	202,324	156,608	45,716
Total management information systems	<u>644,284</u>	<u>533,549</u>	<u>110,735</u>
Financial administration			
Finance			
Salaries - general	727,230	715,937	11,293
Operating expenditures	298,917	273,742	25,175
Capital outlay	10,932	10,586	346
Total finance	<u>1,037,079</u>	<u>1,000,265</u>	<u>36,814</u>
Public Accountant			
Auditors' services	59,000	59,000	-
Special services	10,000	10,000	-
Total public accountant	<u>69,000</u>	<u>69,000</u>	<u>-</u>
Purchasing			
Salaries - general	104,417	104,417	-
Operating expenditures	4,973	4,973	-
Capital outlay	1,900	1,900	-
Total purchasing	<u>111,290</u>	<u>111,290</u>	<u>-</u>
Total financial administration	<u>1,217,369</u>	<u>1,180,555</u>	<u>36,814</u>
Human resources			
Salaries - general	296,258	267,704	28,554
Operating expenditures	147,066	99,521	47,545
Capital outlay	23,461	23,239	222
Total human resources	<u>466,785</u>	<u>390,464</u>	<u>76,321</u>
Legal			
Salary - Attorney to the County Council	5,051	5,051	-
Operating expenditures	289,949	275,879	14,070
Total legal	<u>295,000</u>	<u>280,930</u>	<u>14,070</u>
Community promotion			
Tourism and convention			
Dues and subscriptions	20,000	17,441	2,559
Operating expenditures	15,000	3,510	11,490
Total community promotion - tourism	<u>35,000</u>	<u>20,951</u>	<u>14,049</u>
Other			
Economic Development	129,586	129,586	-
Community Access Channel	125,000	125,000	-
Total community promotion -other	<u>254,586</u>	<u>254,586</u>	<u>-</u>
Total community promotion	<u>289,586</u>	<u>275,537</u>	<u>14,049</u>

**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (Continued)			
Planning and zoning			
Salaries	743,417	701,739	41,678
Operating expenditures	269,439	153,028	116,411
Capital outlay	4,286	4,198	88
Total planning and zoning	<u>1,017,142</u>	<u>858,965</u>	<u>158,177</u>
Tri County Council			
Operating expenditures	271,000	271,000	-
Capital outlay	42,466	-	42,466
Total Tri County Council	<u>313,466</u>	<u>271,000</u>	<u>42,466</u>
General services			
Salaries	247,001	247,001	-
Operating expenditures	565,051	548,993	16,058
Total general services	<u>812,052</u>	<u>795,994</u>	<u>16,058</u>
Total general government	<u>9,343,821</u>	<u>8,282,083</u>	<u>1,061,738</u>
Public safety			
Sheriff's Department			
Salary - Sheriff	85,364	85,364	-
Salaries - general	6,099,910	5,701,522	398,388
Operating expenditures	783,076	672,561	110,515
Capital outlay	914,422	891,207	23,215
Total Sheriff's Department	<u>7,882,772</u>	<u>7,350,654</u>	<u>532,118</u>
School Crossing Guards			
Salaries - general	60,000	52,990	7,010
Fire Department			
City of Salisbury contributions			
Ambulance	539,440	539,440	-
Fire Department	99,000	99,000	-
Emergency services			
Salaries - general	1,093,267	937,390	155,877
Operating expenditures	544,985	494,255	50,730
Capital outlay	930,653	912,323	18,330
Volunteer Ambulance	1,348,600	1,348,600	-
Volunteer Ambulance - insurance	55,000	40,301	14,699
Volunteer Fire Companies			
Workers' compensation insurance	137,182	137,182	-
LOSAP committee	62,500	62,190	310
Grants	1,120,000	1,120,000	-
Sinking fund	266,000	266,000	-
Hepatitis vaccine	2,000	1,916	84
Respiratory protection	34,000	6,540	27,460
Total Fire Department	<u>6,232,627</u>	<u>5,965,137</u>	<u>267,490</u>

**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety (continued)			
Liquor License Board			
Salaries - general	109,784	109,784	-
Salaries - board members	13,521	13,521	-
Salaries - attorneys	27,388	27,388	-
Operating expenditures	32,268	32,268	-
Total Liquor License Board	<u>182,961</u>	<u>182,961</u>	<u>-</u>
Protection of animals			
Contractual services - Humane Society	<u>279,483</u>	<u>279,483</u>	<u>-</u>
Total public safety	<u>14,637,843</u>	<u>13,831,225</u>	<u>806,618</u>
Detention Center			
Salaries - general	7,285,167	7,285,167	-
Contract services	158,386	158,386	-
Hospitals, doctors and drugs	1,052,949	1,052,949	-
Contracted food services	821,201	821,201	-
Operating expenditures	1,047,111	1,037,755	9,356
Medical contractual	1,114,091	1,114,091	-
Pre-trial/home	1,000	730	270
Capital outlay	<u>106,664</u>	<u>103,779</u>	<u>2,885</u>
Total detention center	<u>11,586,569</u>	<u>11,574,058</u>	<u>12,511</u>
Public works			
Supervision			
Salaries - general	571,935	571,935	-
Operating expenditures	32,510	32,510	-
Capital outlay	26,068	26,068	-
Total supervision	<u>630,513</u>	<u>630,513</u>	<u>-</u>
Weed control			
Salaries - general	<u>5,000</u>	<u>2,058</u>	<u>2,942</u>
Sanitation, water and sewer			
Fruitland water and sewer	<u>180,036</u>	<u>180,036</u>	<u>-</u>
Total public works	<u>815,549</u>	<u>812,607</u>	<u>2,942</u>

**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Health</b>			
Public Health			
Salaries - general	122,412	122,412	-
Operating expenditures	2,550,206	2,516,880	33,326
Non-matching	89,365	89,363	2
Capital outlay	76,806	76,806	-
Total public health	<u>2,838,789</u>	<u>2,805,461</u>	<u>33,328</u>
Mosquito control			
Salaries - general	40,845	40,845	-
Operating expenditures	64,374	42,623	21,751
Capital outlay	18,000	12,667	5,333
Total mosquito control	<u>123,219</u>	<u>96,135</u>	<u>27,084</u>
Gypsy Moth control			
Operating expenditures	3,000	613	2,387
Total health	<u>2,965,008</u>	<u>2,902,209</u>	<u>62,799</u>
<b>Social services</b>			
Local Management Matching Funds	30,000	30,000	-
Teen Adult Center - grant	61,363	61,363	-
Maintenance of Aged in Community - grant	69,569	69,569	-
Commission on Aging - grant	500	500	-
Life Crisis Center - grant	12,500	12,500	-
Maintenance of Aged in Community - capital outlay	600,000	26,477	573,523
Total social services	<u>773,932</u>	<u>200,409</u>	<u>573,523</u>
<b>Education</b>			
Board of Education	48,329,815	48,329,815	-
Wicomico County Free Library	1,474,577	1,474,577	-
School Building Comm	1,000	433	567
Community College - grant	3,539,693	3,539,693	-
Extension Service			
Operating expenditures	109,788	106,553	3,235
Total education	<u>53,454,873</u>	<u>53,451,071</u>	<u>3,802</u>
<b>Recreation and culture</b>			
Department of Recreation and Parks			
Salaries - general	1,250,777	1,247,904	2,873
Operating expenditures	488,483	450,842	37,641
Capital outlay	39,095	36,119	2,976
Total Department of Recreation and Parks	<u>1,778,355</u>	<u>1,734,865</u>	<u>43,490</u>
Total recreation and culture	<u>1,778,355</u>	<u>1,734,865</u>	<u>43,490</u>

**WICOMICO COUNTY, MARYLAND**  
**EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL—GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous			
Social security	1,616,719	1,605,542	11,177
Funded retirement plan	2,974,085	2,951,959	22,126
OPEB	1,000,000	1,000,000	-
Provision for compensated absences	66,728	66,728	-
Hospitalization	4,026,637	4,015,942	10,695
Disability	44,409	44,409	-
Unemployment compensation	26,963	26,963	-
Death benefit sinking	57,766	57,766	-
Blood bank	815	815	-
Workers' compensation	505,558	127,056	378,502
Liability insurance	800,000	454,958	345,042
Sinking fund	50,000	-	50,000
Utilities	66,879	-	66,879
Departmental Expense 1	11,307	11,225	82
Total miscellaneous	<u>11,247,866</u>	<u>10,363,363</u>	<u>884,503</u>
Debt service			
Principal	6,654,066	6,567,094	86,972
Interest	3,222,170	3,222,170	-
Agent Fees	48,000	29,586	18,414
Total debt service	<u>9,924,236</u>	<u>9,818,850</u>	<u>105,386</u>
Total expenditures	<u>\$ 116,528,052</u>	<u>\$ 112,970,740</u>	<u>\$ 3,557,312</u>

**WICOMICO COUNTY, MARYLAND  
OTHER FINANCING SOURCES (USES) DETAIL  
BUDGET AND ACTUAL—GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Notes receivable receipts	\$ 51,977	\$ 96,926	\$ 44,949
Operating transfers in			
Wicomico County Recreation Fund	176,214	160,249	(15,965)
Total operating transfers in	<u>176,214</u>	<u>160,249</u>	<u>(15,965)</u>
Operating transfers out			
Wicomico County Solid Waste	(97,624)	(97,624)	-
Wicomico County Civic Center	(483,566)	(483,566)	-
Wicomico County Recreation Fund	(6,652)	(6,652)	-
Wicomico County Capital Projects	(7,670,000)	(7,670,000)	-
Wicomico County Roads	(1,964,935)	(1,964,935)	-
Total operating transfers out	<u>(10,222,777)</u>	<u>(10,222,777)</u>	<u>-</u>
Appropriations of fund equity			
Fund balance reappropriated	7,252,537	-	(7,252,537)
Fund balance reappropriated - capital projects	6,000,000	-	(6,000,000)
Reimbursement of bond proceeds	1,000,000	-	(1,000,000)
Supplemental fund equity appropriations	2,090,899	-	(2,090,899)
Total appropriations of fund equity	<u>16,343,436</u>	<u>-</u>	<u>(16,343,436)</u>
Other uses			
Contingency	(1,100,518)	-	1,100,518
Appropriated operating reserve	(680,900)	-	680,900
Total other uses	<u>(1,781,418)</u>	<u>-</u>	<u>1,781,418</u>
 Total other financing uses	 <u>\$ 4,567,432</u>	 <u>\$ (9,965,602)</u>	 <u>\$ (14,533,034)</u>

**WICOMICO COUNTY, MARYLAND  
BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>Recreation</u>	<u>Tax Ditches</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 952,038	\$ 433,047	\$ 216,880	\$ 1,601,965
Other receivables	57,295	558	-	57,853
Inventories	5,101	-	-	5,101
Total assets	1,014,434	433,605	216,880	1,664,919
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	34,796	-	3,979	38,775
Due to other funds	21,160	35,113	-	56,273
Deferred revenue	250	431	212,901	213,582
Total liabilities	56,206	35,544	216,880	308,630
 Fund balances:				
Reserved for:				
Inventories	5,101	-	-	5,101
Encumbrances	3,500	-	-	3,500
Unreserved:				
Designated for:				
Fund purposes	949,627	398,061	-	1,347,688
Total fund balances	958,228	398,061	-	1,356,289
Total liabilities and fund balances	\$ 1,014,434	\$ 433,605	\$ 216,880	\$ 1,664,919



**WICOMICO COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Recreation</u>	<u>Tax Ditches</u>	<u>Agricultural Tax</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>				
Other taxes	\$ -	\$ 92,444	\$ 1,120,292	\$ 1,212,736
Intergovernmental	49,000	-	-	49,000
Charges for services	1,295,753	-	-	1,295,753
Investment earnings	29,867	21,905	-	51,772
Total revenues	<u>1,374,620</u>	<u>114,349</u>	<u>1,120,292</u>	<u>2,609,261</u>
<b>EXPENDITURES</b>				
Public works	-	91,117	-	91,117
Recreation and culture	1,038,279	-	-	1,038,279
Micellaneous	-	-	1,082,656	1,082,656
Principal	-	-	27,499	27,499
Interest and other charges	-	-	10,137	10,137
Total expenditures	<u>1,038,279</u>	<u>91,117</u>	<u>1,120,292</u>	<u>2,249,688</u>
Excess (deficiency) of revenues over expenditures	<u>336,341</u>	<u>23,232</u>	<u>-</u>	<u>359,573</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,652	-	-	6,652
Transfers out	(410,964)	-	-	(410,964)
Total other financing uses	<u>(404,312)</u>	<u>-</u>	<u>-</u>	<u>(404,312)</u>
<b>SPECIAL ITEM</b>				
Net change in fund balances	(67,971)	23,232	-	(44,739)
Fund balances - beginning	1,026,199	374,829	-	1,401,028
Fund balances - ending	<u>\$ 958,228</u>	<u>\$ 398,061</u>	<u>\$ -</u>	<u>\$ 1,356,289</u>

**WICOMICO COUNTY, MARYLAND  
GENERAL FUND  
PROPERTY TAX LEVIES AND COLLECTIONS  
FIVE YEARS ENDED JUNE 30, 2007**

Fiscal Year Ended June 30	Tax Rate			Assessable Base <sup>1</sup>	Tax Levy <sup>2</sup>	Current Collections	Percent of Levy Collected in Year of Levy
	County		State				
	Real	Personal/ Corporate					
2007	\$ 0.942	\$ 2.355	\$ 0.33	\$ 5,669,631,145	\$ 60,979,308	\$ 57,574,454	94.42%
2006	0.993	2.483	0.33	4,778,166,917	54,876,973	53,999,576	98.40%
2005	1.025	2.563	0.33	4,523,263,296	52,171,966	51,009,315	97.77%
2004	1.041	2.603	0.33	4,233,598,341	49,782,534	49,266,939	98.96%
2003	1.047	2.617	0.21	4,063,608,942	48,155,060	47,479,231	98.60%

Notes:

<sup>1</sup> Includes six month basis expressed as a full year equivalent.

<sup>2</sup> Prior years tax levy and collections have not been adjusted for subsequent additions, abatements and refunds.

<sup>3</sup> Collections are net of refunds.

<u>Delinquent Tax Collections</u>	<u>Total Tax Collections<sup>3</sup></u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent County Taxes</u>	<u>Outstanding Delinquent County Taxes as a Percent of Current Levy</u>
\$ 663,146	\$ 58,237,600	95.50%	\$ 2,082,717	3.42%
766,245	54,765,821	99.80%	2,350,718	4.28%
181,577	51,190,892	98.12%	2,490,733	4.77%
207,220	49,474,159	99.32%	1,598,513	3.21%
401,925	47,881,156	99.07%	1,546,538	3.21%

WICOMICO COUNTY, MARYLAND

BALANCE SHEET  
LOCAL MANAGEMENT BOARD

JUNE 30, 2007  
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash allocation from general fund	\$ 571,653	\$ 508,317
Grants receivable	606,138	293,895
Prepaid expenses	<u>17,645</u>	
Total assets	<u>\$ 1,195,436</u>	<u>\$ 802,212</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable	\$ 333,853	\$ 433,158
Interfund payable		18,772
Deferred revenue	545,649	10,119
Accrued payroll and taxes	2,157	6,331
Accrued compensated absences	<u>15,282</u>	<u>10,483</u>
Total liabilities	<u>896,941</u>	<u>478,863</u>
<b>Fund balances</b>		
Reserved for encumbrances	224,173	235,570
Unreserved fund balance	<u>74,322</u>	<u>87,779</u>
Total fund balances, as restated	<u>298,495</u>	<u>323,349</u>
Total liabilities and fund balance	<u>\$ 1,195,436</u>	<u>\$ 802,212</u>

WICOMICO COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES  
LOCAL MANAGEMENT BOARD

YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE TOTALS FOR 2006)

	2007	2006
<b>Revenues</b>		
Subcabinet fund	\$ 1,177,069	\$ 1,374,824
Federal grants	694,993	378,006
Other state grants	253,077	265,013
<b>Total revenues</b>	<b>2,125,139</b>	<b>2,017,843</b>
<b>Expenditures</b>		
Subcabinet Fund		
Administrative expenditures	287,159	121,428
Interagency Family Preservation Services	79,250	5,624
Community Service Initiative		
In-State	153,468	9,300
Local Coordinating Council	6,911	66,781
School Based Health Centers	-	98,493
Local Access Training	10,207	-
Wraparound Funds	35,000	-
Home Visiting	-	298,089
After School	83,920	94,766
Eastern Shore Transit	-	15,299
Child Advocacy Center	54,000	59,838
Juvenile Alternatives	81,495	90,000
Birth to Four	-	60,000
Early Child Development	18,812	-
Community Care Intensive	301,998	266,210
Other	-	9,940
Truancy Prevention Elementary Pilot	50,318	-
RDEF - Eastern Shore Training	33,007	-
<b>Total subcabinet fund</b>	<b>1,195,545</b>	<b>1,195,768</b>
Federal grants	627,426	195,795
Other state grant	325,193	377,986
Salaries - general	(1,600)	11,028
<b>Total expenditures</b>	<b>2,146,564</b>	<b>1,780,577</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(21,425)</b>	<b>237,266</b>
<b>Other financing sources</b>		
Interest income	8,983	11,174
Miscellaneous income	756	11,974
<b>Total other financing sources</b>	<b>9,739</b>	<b>23,148</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ (11,686)</b>	<b>\$ 260,414</b>