

WICOMICO COUNTY, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2017

WICOMICO COUNTY, MARYLAND

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WICOMICO COUNTY, MARYLAND

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ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

E. LEE MCCABE, CPA

JEFFREY A. MICHALIK, CPA

DANIEL M. O'CONNELL II, CPA

JOHN M. STERN, JR., CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

www.pkscpa.com

Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

SALISBURY, MD 21803

TEL: 410.546.5600

FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD

SUITE 1

LEWES, DE 19958

TEL: 302.645.5757

FAX: 302.645.1757

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Wicomico Nursing Home, which is both a major fund and 3.4%, 3.2%, and 34.3%, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Board of Education of Wicomico County, which is both a component unit and 99.3%, 99.3%, and 98.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wicomico Nursing Home, which represent 3.4%, 3.2%, and 34.3%, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the Board of Education of Wicomico County, which represent 99.3%, 99.3%, and 98.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wicomico Nursing Home and the Board of Education of Wicomico County is based solely on the reports of the other auditors.

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Auditor's Responsibility (Continued)

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis included on pages 6 through 16, as well as the schedules included on pages 114 through 125 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wicomico County, Maryland's basic financial statements. The information on pages 126 through 140 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information in the schedules on pages 126 through 140 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018 on our consideration of Wicomico County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wicomico County, Maryland's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 2, 2018



ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
E. LEE MCCABE, CPA
JEFFREY A. MICHALIK, CPA
DANIEL M. O'CONNELL II, CPA
JOHN M. STERN, JR., CPA

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

www.pkscpa.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wicomico County, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wicomico County, Maryland's basic financial statements, and have issued our report thereon dated January 2, 2018. Our report includes a reference to other auditors who audited the financial statements of the Wicomico Nursing Home and the Board of Education of Wicomico County, as described in our report on Wicomico County, Maryland's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

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

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Internal Control over Financial Reporting (Continued)

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 2, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Wicomico County's financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2017. Please read it in conjunction with the County's financial statements, which begins on page 17.

FINANCIAL HIGHLIGHTS

- The County's government-wide results for the governmental and business-type activities showed an increase in net position from last year of approximately \$12.6 million. This was primarily due to an increase in the County's Net Capital Assets which includes the Public Safety Radio System, the new Board of Elections building, and other projects such as the Old Courthouse restoration, AWP Stadium and school athletic fields.
- General fund fiscal year 2017 actual expenses were \$2.8 million less than originally budgeted. A detail view of budget to actual variance can be found beginning at page 114. The magnitude of the expense reductions can be attributed primarily to sound financial management displayed in the noted departments.
- General fund new revenues for fiscal year 2017 increased by nearly \$5.3 million over fiscal year 2016. The primary source of increase was a \$4.7 million increase in Income Tax Revenue compared to budget.
- The County's total general fund balance grew by \$2.7 million. This is the seventh consecutive year of fund balance growth. Income Tax Revenue continues to grow exceeding last year by \$1.8 million. Other changes in revenue are shown in the three revenue summary tables below.

NEW REVENUES (including transfers in)	FY2017	FY2016	FY2015	FY2014	FY2013
REAL PROPERTY TAX	55,060,029	53,871,248	54,236,290	52,546,925	51,926,918
PERSONAL PROPERTY TAX	8,317,632	8,334,031	8,483,397	8,411,592	9,042,857
LOCAL INCOME TAX	50,749,316	48,859,441	46,070,753	43,553,322	41,027,904
RECORDATION TAX	3,478,001	3,402,652	2,860,521	2,634,927	2,502,251
OTHER LOCAL TAX	1,067,551	1,060,551	1,043,072	1,015,699	1,058,050
LICENSES & PERMITS	1,402,495	1,364,459	1,332,569	1,222,894	1,242,057
STATE AND FEDERAL GOVERNMENTAL GRANTS	10,541,870	10,338,444	9,490,507	9,650,120	4,866,193
SERVICE CHARGE REVENUE	4,628,002	3,827,468	4,713,961	2,907,658	2,978,074
IMPACT FEES	-	-	515,151	557,396	1,267,124
FINES AND FORFEITURES	25,293	41,635	73,092	92,794	138,681
MISCELLANEOUS REVENUE	839,615	(2,986)	890,870	982,268	1,175,008
INVESTMENT EARNINGS	569,052	217,473	47,924	59,885	102,196
NEW REVENUE (excluding transfers)	136,678,856	131,314,416	129,758,107	123,635,480	117,327,313
TRANSFERS IN				484,328	500,504
Total Revenue (excluding use of prior year funds)	136,678,856	131,314,416	129,758,107	124,119,808	117,827,817

Dollar Change Year-Over-Year

NEW REVENUES (including transfers in)	FY17 to FY16	FY16 to FY15	FY15 to FY14	FY14 to FY13
REAL PROPERTY TAX	1,188,781	(365,042)	1,689,365	620,007
PERSONAL PROPERTY TAX	(16,399)	(149,366)	71,805	(631,265)
LOCAL INCOME TAX	1,889,875	2,788,688	2,517,431	2,525,418
RECORDATION TAX	75,349	542,131	225,594	132,676
OTHER LOCAL TAX	7,000	17,479	27,373	(42,351)
LICENSES & PERMITS	38,036	31,890	109,675	(19,163)
STATE AND FEDERAL GOVERNMENTAL GRANTS	203,426	847,937	(159,613)	4,783,927
SERVICE CHARGE REVENUE	800,534	(886,493)	1,806,303	(70,416)
IMPACT FEES	-	(515,151)	(42,245)	(709,728)
FINES AND FORFEITURES	(16,342)	(31,457)	(19,702)	(45,887)
MISCELLANEOUS REVENUE	842,601	(893,856)	(91,398)	(192,740)
INVESTMENT EARNINGS	351,579	169,549	(11,961)	(42,311)
NEW REVENUE (excluding transfers)	5,364,440	1,556,309	6,122,627	6,308,167
TRANSFERS IN	-	-	(484,328)	(16,176)
Total Revenue (excluding use of prior year funds)	5,364,440	1,556,309	5,638,299	6,291,991

Percent Change Year-Over-Year

NEW REVENUES (including transfers in)	FY17 to FY16	FY16 to FY15	FY15 to FY14	FY14 to FY13
REAL PROPERTY TAX	2.2%	-0.7%	3.2%	1.2%
PERSONAL PROPERTY TAX	-0.2%	-1.8%	90.0%	-7.0%
LOCAL INCOME TAX	3.9%	6.1%	5.8%	6.2%
RECORDATION TAX	2.2%	19.0%	8.6%	5.3%
OTHER LOCAL TAX	0.7%	1.7%	2.7%	-4.0%
LICENSES & PERMITS	2.2%	2.4%	9.0%	-1.5%
STATE AND FEDERAL GOVERNMENTAL GRANTS	2.0%	8.9%	-1.7%	98.3%
SERVICE CHARGE REVENUE	20.9%	-18.8%	62.1%	-2.4%
IMPACT FEES	0.0%	-100.0%	-7.6%	-56.0%
FINES AND FORFEITURES	-40.7%	-43.0%	-21.2%	-33.1%
MISCELLANEOUS REVENUE	-28228.8%	-100.3%	-9.3%	-16.4%
INVESTMENT EARNINGS	161.7%	353.8%	-20.0%	-41.4%
NEW REVENUE (excluding transfers)	4.1%	1.2%	5.0%	5.4%
TRANSFERS IN	0.0%	0.0%	-100.0%	-3.2%
Total Revenue (excluding use of prior year funds)	4.1%	1.2%	4.5%	5.3%

There are several notable changes in revenue from FY16 to FY17.

- ✓ The state increased the disparity grant \$280,668 compared to the FY16 disparity grant revenue.
- ✓ Income tax revenues increased by \$1.8 million. Forecasting income tax revenue has been challenging due to many uncertainties such as; the local changes in employment and jobs data has been volatile, the State of Maryland implemented changes to the tax laws, and the Federal Government engaged in fiscal activities such as a government shut-down, and sequestration. Each of these factors has had effects on the taxable base and tax behavior of wealthy citizens that cannot be quantified.
- ✓ The real property tax rate was not changed in FY17 to the Charter Revenue Cap limit. To try to be more competitive with neighboring counties that have a lower tax rate, the property tax rate remained constant with FY16 tax rate.
- ✓ Personal Property revenues decreased by \$16,399 from fiscal year 2016 levels. This was mostly due to the county's five year phase-out of the business inventory tax.

General fund actual expenses increased by \$9.0 million compared to fiscal year 2016. A summary of department changes are shown below. These numbers are the net difference of changes in actual expenses across all individual expense accounts. Thus the explanations below are meant to explain the most significant factors that caused the net change. The Board of Education number includes principal and interest payments related to school projects, payments for the Maintenance of Effort as well as the state mandated teacher pension contribution. There was a 3% cost-of-living pay raise granted for FY17.

- ✓ The Roads department increase was due to the bad weather the County experienced in FY16. This limited the contractor's work in FY17.
- ✓ The Board of Education's increase of \$1.6 million is primarily due to the state mandated increases in the Maintenance of Effort and Teacher Pension contributions.
- ✓ In fiscal year 2017, an additional \$424,800 was appropriated by request of Wor-Wic Community College due to declining enrollment.
- ✓ Hospitalization and Disability costs continue to increase primarily due to changes driven by implementation of the 2014 Health Care Reform law and the funding of the new FOP Disability – Accidental Death Trust.
- ✓ The All Other Department line sums the changes for 53 budgetary departments whose individual net changes are not shown separately above.
- ✓ The \$485,027 increase in debt payments is a function of the debt amortization schedules established at the time of sale of the county's general obligation bonds.

Department	% Change FY16 to FY17	Change Over Prior Period	FY 2017	FY 2016
PENSIONS & RETIREMENT	-39.81%	\$ (49,372)	\$ 74,645	\$ 124,017
CONTINGENCY & CAPITAL	32.40%	1,127,086	4,605,318	3,478,232
ROADS	29.11%	2,139,360	9,489,825	7,350,465
BOARD OF EDUCATION	3.16%	1,637,754	53,406,904	51,769,150
STATES ATTORNEY	5.72%	186,666	3,452,087	3,265,421
COMMUNITY COLLEGE	16.76%	681,081	4,745,051	4,063,970
CORRECTIONS	1.92%	288,313	15,304,174	15,015,861
GENERAL SERVICES	29.35%	308,355	1,359,056	1,050,701
SHERIFF'S DEPARTMENT	7.91%	883,863	12,058,492	11,174,629
EMERGENCY SERVICES	3.73%	86,428	2,403,673	2,317,245
TRI COUNTY COUNCIL/SHORE TRANSIT	0.00%	-	445,809	445,809
HOSPITALIZATION & DISABILITY	338.20%	159,826	207,084	47,258
ALL OTHER DEPARTMENTS	4.28%	815,833	19,889,877	19,074,044
PUBLIC HEALTH	8.96%	293,140	3,564,472	3,271,332
COMMUNITY GRANTS	-7.01%	(34,444)	456,888	491,332
DEBT RETIREMENT	24.03%	485,027	2,503,474	2,018,447
Total Change	7.21%	\$ 9,008,916	\$ 133,966,829	\$ 124,957,913

USING THESE FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most frequent questions asked about the County's finances is, "Is the County as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities beginning on page 17 report information about the County as a whole and about its activities in a way that helps answer the question. These statements include all assets and liabilities using the accrual method of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Of course, many other factors impact the overall health of the County, including changes in the County's property tax base, the condition of the County's roads, and the impact of the revenue cap. In addition, it should be noted that when the County borrows money to build or improve school buildings, the buildings and improvements themselves appear on the Board of Education's financial statements as an asset while the debt appears on the County's financial statements without the accompanying asset. As of June 30, 2017, the County carried about \$91 million in debt on its portion of the financial statement under primary government related to school assets that appear in the component units section under Board of Education.

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

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

Table 1

Highlights from the primary government portion of the Statement of Net Position as of June 30, 2017 and 2016:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	120.68	110.33	29.68	31.24	150.36	141.57
Capital assets	97.59	84.97	70.84	68.86	168.43	153.83
Total Assets	218.27	195.30	100.52	100.10	318.79	295.40
Deferred Outflows of Resources	4.28	4.53	0.01	0.01	4.29	4.54
Current and other liabilities	22.15	20.46	3.06	3.37	25.21	23.83
Long-term liabilities	128.91	121.38	14.50	13.07	143.41	134.45
Total Liabilities	151.06	141.84	17.56	16.44	168.62	158.28
Deferred Inflows of Resources	0.05	0.04	0.19	0.19	0.24	0.23
Net investment in capital assets	6.03	7.39	65.54	64.68	71.57	72.07
Restricted	20.69	22.13	0.13	0.13	20.82	22.26
Unrestricted	44.72	28.43	17.11	18.67	61.83	47.10
Total Net Position	71.44	57.95	82.78	83.48	154.22	141.43

The Statement of Net Position for governmental activities for the fiscal year ending June 30, 2017 shows total net position of \$71.44 million, with an unrestricted net position amount of \$44.7 million. The County's business-type activities show \$17.1 million in unrestricted net position, which means, after subtracting out the debt related to acquiring or building these assets, the County's business-type activities' assets are worth more than the remaining debt on them.

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

Table 2

Selected highlights from the Statement of Activities as of June 30, 2017 and 2016:

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Component Units	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Service	8.49	7.35	22.56	21.94	1.73	2.07
Operating & Capital Grants	17.87	16.56	1.18	6.26	60.81	59.71
General Revenues						
Property Taxes	63.03	62.52				
Local Taxes	55.30	53.32	1.39	1.31		
Other	1.49	0.55	0.63	0.36	170.61	163.41
Total Revenues	146.18	140.30	25.76	29.87	233.15	225.19
Program Expenses						
Governmental Activities						
General Government	11.28	22.81				
Public Safety	35.68	34.27				
Public Works	11.71	8.12				
Health & Welfare	5.05	4.90				
Education	58.91	57.55				
Culture & Recreation	3.74	4.02				
Economic Development	0.15	0.06				
Interest on Long-Term Debt	4.16	3.85				
Business-Type Activities						
Solid Waste			6.30	5.67		
Airport			5.26	4.63		
Nursing Home			8.84	8.83		
Youth & Civic Center			5.79	4.70		
Other			2.42	2.50		
Component Units						
Board of Education					222.15	213.03
Library					2.87	2.78
Total Expenses	130.68	135.58	28.61	26.33	225.02	215.81
Excess (Deficiency) Before						
Special Items and Transfers	15.50	4.72	(2.85)	3.54	8.13	9.38
Special Items						
Transfers	(2.16)	(6.55)	2.16	6.55		
Change in Net Position	13.34	(1.83)	(0.69)	10.09	8.13	9.38
Net Position - Beginning of Year ^{1,2}	58.10	59.78	83.47	73.38	287.64	278.26
Net Position - End of Year	71.44	57.95	82.78	83.47	295.77	287.64

¹ Numbers may not add due to rounding² Net Position - Beginning of year are restated as explained in the notes to the financial statements on pages 111-113.

Table 2 above shows that the County's total net position (Governmental + Business-type) increased by \$12.63 million from fiscal year 2016.

Table 3

Net Cost of Governmental and Business-Type Activities:

	(In millions of dollars)					
	Revenues		Expenditures		Net Cost (Revenue)	
	2017	2016	2017	2016	2017	2016
Governmental						
General government	13.55	13.75	11.28	22.81	(2.27)	9.06
Public safety	2.93	2.82	35.68	34.27	32.75	31.45
Public works	3.19	3.80	11.71	8.12	8.52	4.32
Education			58.91	57.55	58.91	57.55
Others	6.69	3.54	13.10	8.98	6.41	5.44
Business-Type	23.74	28.20	28.61	26.33	4.87	(1.87)

Table 3 presents the net cost of the County's governmental and business-type activities. The net cost shows the financial burden that was placed on the County's taxpayers. All business-type activities, except Solid Waste, Urban Services, and the Convention & Visitors Bureau experienced a net loss before contributions and transfers during fiscal year 2017; see page 24 for details by activity.

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

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

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

The County's governmental funds (as presented on page 19) report a combined fund balance of \$104.65 million, an increase from fiscal year 2016 balance of \$96.18 million.

The General Fund

For fiscal year 2017, the general fund's original budgetary appropriation, or amount authorized for expenditure, was \$134.9 million. The final budgetary appropriation, after adjusting for purchase order carry-forward was about \$136.7 million. The County actually spent about \$134 million; that is \$2.7 million less than appropriated and \$9.0 million more than actually spent in fiscal year 2016.

New revenues for fiscal year 2017 were estimated to be about \$128.9 million, an increase over last year of about \$6.2 million. Actual revenue, including transfers-in, totaled \$136.7 million. Actual expenditures were less than actual revenues, resulting in an increase in fund balance of \$2.7 million. This is the seventh year in a row where there was a net improvement in fund balance.

Enterprise Funds

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

Capital Asset and Debt Administration

At the end of fiscal year 2017, the County's primary government had about \$168.43 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, 2017 and 2016

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land, Buildings & Infrastructure	290.87	272.73	163.02	155.75	453.89	428.48
Accumulated Depreciation	(193.28)	(187.75)	(92.18)	(86.89)	(285.46)	(274.64)
Total Capital Assets						
Net of Depreciation	97.59	84.98	70.84	68.86	168.43	153.84

As a result of increased capital spending, total FY17 Governmental Activities Capital Assets, net of depreciation, increased \$12.61 million from FY16. Business-type activities experienced a \$1.9 million increase in total capital assets after depreciation. More details about the County's capital assets are presented in the Capital Assets footnote to the financial statements beginning on pages 54 and 55.

Debt

At year-end, the County had about \$128.41 million in general obligation bonds and notes outstanding subject to the County's debt limitation vs \$115.29 million last year – an increase of about 4% percent – as shown in table 5. This reflects the net change from scheduled debt retirement, the issuance of \$20.3 million in new debt for continued funding of Board of Education various projects totaling approximately \$8.2 million, Emergency Service Project totaling \$11 million and the Board of Elections building totaling \$1.1 million, see page 63.

Table 5 - Outstanding Debt at Year-End

	(In millions of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds*	125.245	111.850	3.076	3.211	128.321	115.061
Loans			0.144	0.226	0.144	0.226
Leases and notes payable	2.268	2.510	2.149	0.750	4.417	3.260
Debt not subject to limitation	(2.268)	(2.510)	(2.149)	(0.750)	(4.417)	(3.260)
Total	125.245	111.850	3.220	3.437	128.465	115.287

The County's general obligation bond rating in fiscal year 2017 was AA from Fitch, AA+ from Standard and Poor's, and Aa2 from Moody's. The County's charter limits the amount of general obligation debt that the County can issue to 3.2 percent of the assessable base of real property plus 8 percent of the assessable base of personal property and certain operating real property of public utilities. The County's outstanding general obligation debt of \$128.41 million is significantly below the \$219.9 million limit.

The County issued \$20.3 million of General Obligation Consolidated Public Improvement Bonds and Refunding Bonds in November of 2016. Approximately \$8.2 million of this bond was applied to the continued construction of Board of Education various projects, over \$11 million was used to replace Public Safety Radio System and \$1.1 million for the acquisition and renovation of a new Board of Elections building.

THE COUNTY AS TRUSTEE

REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

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

ECONOMIC FACTORS

The County's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that were charged for the business-type activities, including:

- **The Economy**

With a solid foundation in agribusiness and poultry, Wicomico is also strong in the growing sector of healthcare, life sciences, wireless technology and manufacturing. In addition, the County is home to an increasing number of headquarter establishments. Wicomico County still remains a competitive regional center for economic activity. Wicomico boasts a strong distribution sector due to its location at the intersection of two major highways, the county's commercial airport, Maryland's second largest port and rail service via Norfolk-Southern. Wicomico County's retail sales are \$2.3 billion annually. The County's diverse economic base mitigates effects of economic downturns and allows for capitalization of opportunities during more expansive economic cycles. Wicomico County employment is at a historical high.

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

- **State Funding**

While the economy of the State of Maryland as a whole improved, the State continued to transfer costs to the counties and limit revenue redistribution. For example, the counties were still required to pay 50% of the operating costs for the State Department of Assessment and Taxation (SDAT), and almost all Highway User Revenue (HUR) collected by the state is being retained for state projects. In fact, the State has made it clear that it regards funding of local transportation infrastructure to be a local government responsibility.

Current Year's Budget - fiscal year 2017

During the fiscal year 2017 budget process, the Principal and Interest budgets for both the Board of Education debt and the County Debt were not updated to reflect the County Debt Schedule. This has caused unfavorable variances in the Budget to Actual for the Board of Education and County Debt. The Principal and Interest unfavorable variance for the Board of Education is \$969,158 and County debt is \$153,431. The Budget to Actual Statements can be found in the Required Supplementary Information and in the Supplementary Information found starting on Page 114. During the November 21, 2017 County Council meeting, Legislative Bill 2016-06, Amendment 1 was introduced as an act to amend, confirm and correct the General Fund Revenue and Expense Budget for the fiscal year ending June 30, 2017. A public hearing was scheduled for December 19th and if approved Bill 2016-06 would become effective 60 days from the date of signature.

Next Year's Budget - fiscal year 2018

Below is a summary of the FY18 Budget Narrative.

The overall health of Wicomico County's economy continues to grow. Fiscal Year 2018 revenue is estimated to be \$142,980,998; this is 5.6% or \$8,005,298 over the fiscal year 2017 budget. The balanced budget includes a 2% pay increase for qualified County employees for fiscal year 2018.

A brief summary of key economic indicators and revenues are as follows:

- Based on the actual receipts in fiscal year 2017, income tax revenue for fiscal year 2018 is budgeted to exceed fiscal year 2017 projections by approximately \$3.3 million or 7%.
- Revenue from the recordation tax has increased each year since the low point of fiscal year 2011; based on history, recordation tax for fiscal year 2018 is estimated at \$3.4 million, which is 53% more than the fiscal year 2011 low of \$2.2 million. Fiscal year 2017 was the first full year the County Finance Department collected recordation tax instead of the Clerk of Court's office eliminating a State fee of 5% charged on every dollar of recordation tax collected by the Clerk of Court. Instead of the County receiving 95% of the recordation tax, it now receives the entire 100%. Based on history, this new revenue could range from \$100,000 to \$400,000 a year.
- The taxable real property base is expected to grow by 2.3% from fiscal year 2017 to fiscal year 2018 (March 31, 2017 data from State Department of Assessment and Taxation). Net Property Tax Revenue was budgeted to increase by approximately \$229,000.
- The real property tax rate was reduced in fiscal year 2018 by the County Council. The difference between the allowable real property tax rate for fiscal year 2018 of \$0.9412 and the fiscal year 2018 real property tax rate of \$0.9398 is \$0.0014.
- Prior to fiscal year 2014, the personal property tax rate was set by law to be 2.5 times the tax rate for real property. In 2013, the Maryland General Assembly modified the tax law to allow local governments to set the tax rate on personal property in a range between zero and a maximum of 2.5 times the current year's real property tax rate. For fiscal year 2018, the personal property tax rate is set at \$2.17 per \$100 of assessed value and the net revenue from personal property is conservatively estimated to be \$8.2 million, which includes the effects of the fifth year of the five year phase-out of the tax on business inventory described below and the manufacturing equipment exemption.

To enhance the potential for economic development, the County approved a Code change to phase out the business inventory tax beginning in fiscal year 2014.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The significant changes in budgeted fiscal year 2018 expenses over budgeted fiscal year 2017 expenses are summarized below (amounts may be approximate):

- 2% cost of living increase to qualified County employees at a cost of \$537,483.
- Board of Education increased funding of \$1,083,907 to absorb State mandated increases in maintenance-of-effort as a result of increased enrollment. An additional \$587,801 has been appropriated for non-recurring project funding (laptop carts).
- \$19,570 to fund the County's commitment to the Fraternal Order of Police.
- \$4.3 million one-time contribution to pay-go capital project fund.
- \$847,710 increase in funding to the Wor-Wic Community College based on a State formula. In fiscal 2017, an additional \$424,800 was appropriated by request of Wor-Wic Community College due to declining enrollment.
- \$66,000 increase in contribution to the County library.
- \$341,499 reduction in employer's share of the employees' health insurance.
- \$70,739 increase in worker's compensation cost.
- \$404,715 reduction in the funding of County pension and \$55,495 increase in the funding Other Post – Employment Benefit (OPEB).
- \$195,868 funding of Community Outreach Addictions Team (COAT), an \$85,868 increase over fiscal year 2017.
- \$950,000 in funding for Fire and Ambulance services within the City of Salisbury based on a recently negotiated fire service agreement with the City of Salisbury that calls for a fee for service approach (decrease of \$29,000 from fiscal year 2017).
- \$495,000 increase in funding in the County Volunteer Ambulance Grant (increase of \$45,000 each for the 11 County Volunteer Stations).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Policy Decisions	County Executive	Bob Culver	410-548-4801
Policy Decisions	Director of Administration	Wayne Strausburg	410-548-4801
Financial Results	Director of Finance	Dawn Mitchell Parks	410-548-4840
Fund Financial Statements	Deputy Director	John Ellis	410-548-4844

BASIC FINANCIAL STATEMENTS

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
ASSETS			
Cash and cash equivalents	\$ 101,802,787	\$ 28,016,689	\$ 129,819,476
Certificates of deposit			
Receivables, taxes and other	2,273,637	2,878,277	5,151,914
Notes receivable	133,994		133,994
Due from other governmental agencies	8,413,326	376,840	8,790,166
Internal balances	2,057,733	(2,057,733)	
Advance to other funds		78,117	78,117
Inventories	252,311	248,939	501,250
Prepaid expenses	5,746,123	138,956	5,885,079
Net capital assets	97,589,631	70,840,392	168,430,023
Total assets	<u>218,269,542</u>	<u>100,520,477</u>	<u>318,790,019</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflow - pension	178,961		178,961
Deferred charges - refunding debt	4,103,431	10,734	4,114,165
Total deferred outflows of resources	<u>4,282,392</u>	<u>10,734</u>	<u>4,293,126</u>
LIABILITIES			
Accounts payable and accrued expenses	7,691,939	1,413,406	9,105,345
Accrued payroll and taxes	797,688	116,719	914,407
Due to other governmental agencies	754,001	13,007	767,008
Unearned revenue	364,828	813,902	1,178,730
Long-term liabilities			
Due within one year			
Capital lease obligations	251,006	359,095	610,101
Bonds, notes, and loans payable	10,799,993	281,337	11,081,330
Accrued interest payable	1,001,870	29,711	1,031,581
Compensated absences	385,184	32,589	417,773
Other liabilities to governmental agencies	101,290		101,290
Due in more than one year			
Capital lease obligations	2,017,269	1,790,234	3,807,503
Bonds, notes, and loans payable	114,445,177	2,937,847	117,383,024
Compensated absences	3,367,742	293,307	3,661,049
Net pension liability	9,083,519		9,083,519
Advance from other funds		78,117	78,117
Accrued landfill closure and post-closure costs		9,400,757	9,400,757
Total liabilities	<u>151,061,506</u>	<u>17,560,028</u>	<u>168,621,534</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflow - pension	35,280		35,280
Unavailable revenue	14,749	190,084	204,833
Total deferred inflows of resources	<u>50,029</u>	<u>190,084</u>	<u>240,113</u>
NET POSITION			
Net investment in capital assets	6,027,273	65,541,430	71,568,703
Restricted for			
Capital projects			
Other	24,124,936	133,025	24,257,961
Unrestricted	41,288,190	17,106,644	58,394,834
Total net position	<u>\$ 71,440,399</u>	<u>\$ 82,781,099</u>	<u>\$ 154,221,498</u>

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

Component Units			
<u>Board of Education</u>	<u>Wicomico Free Library</u>	<u>Total Component Units</u>	<u>Total</u>
\$ 29,002,710	\$ 718,832	\$ 29,721,542	\$ 159,541,018
	11,204	11,204	11,204
704,874	2,446	707,320	5,859,234
			133,994
10,481,348	14,306	10,495,654	19,285,820
			78,117
8,879		8,879	510,129
1,467,557		1,467,557	7,352,636
280,900,471	1,374,202	282,274,673	450,704,696
<u>322,565,839</u>	<u>2,120,990</u>	<u>324,686,829</u>	<u>643,476,848</u>
1,579,637		1,579,637	1,758,598
			4,114,165
<u>1,579,637</u>		<u>1,579,637</u>	<u>5,872,763</u>
14,935,158		14,935,158	24,040,503
906,732	28,330	935,062	1,849,469
80,701		80,701	847,709
3,275,554		3,275,554	4,454,284
1,244,097		1,244,097	1,854,198
			11,081,330
			1,031,581
252,074	67,632	319,706	737,479
			101,290
1,338,040		1,338,040	5,145,543
			117,383,024
2,363,311	65,790	2,429,101	6,090,150
4,807,299		4,807,299	13,890,818
			78,117
			9,400,757
<u>29,202,966</u>	<u>161,752</u>	<u>29,364,718</u>	<u>197,986,252</u>
1,112,712		1,112,712	1,147,992
	15,349	15,349	220,182
<u>1,112,712</u>	<u>15,349</u>	<u>1,128,061</u>	<u>1,368,174</u>
278,318,334	1,374,202	279,692,536	351,261,239
3,012,813		3,012,813	3,012,813
4,194,695	77,819	4,272,514	28,530,475
8,303,956	491,868	8,795,824	67,190,658
<u>\$ 293,829,798</u>	<u>\$ 1,943,889</u>	<u>\$ 295,773,687</u>	<u>\$ 449,995,185</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Primary Government</u>			
	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>
		<u>Services, Fees,</u> <u>Fines,</u> <u>Forfeitures</u>	<u>Grants and</u> <u>Contributions</u>	<u>and</u> <u>Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 11,279,328	\$ 2,997,374	\$ 10,549,577	\$
Public safety	35,682,979	1,650,736	1,280,035	
Public works	11,711,256	1,871,715	1,315,991	
Health and welfare	5,049,046	724,184	927,295	
Education	58,912,453			
Culture and recreation	3,736,717	1,245,390	3,801,036	
Economic development	149,914			
Interest on long-term debt	4,162,364			
Total governmental activities	<u>130,684,057</u>	<u>8,489,399</u>	<u>17,873,934</u>	
Business-type activities				
Solid Waste	6,308,401	7,923,023		
Airport	5,261,084	1,103,109	1,130,978	
Nursing Home	8,837,580	8,147,497	2,556	
Urban Services	543,419	518,103		
Convention & Visitors Bureau	1,838,528	857,621	48,093	
Civic Center	5,789,280	3,960,954		
Other business-type activities	48,565	53,488		
Total business-type activities	<u>28,626,857</u>	<u>22,563,795</u>	<u>1,181,627</u>	
Total primary government	<u>\$ 159,310,914</u>	<u>\$ 31,053,194</u>	<u>\$ 19,055,561</u>	<u>\$</u>
Component Units				
Board of Education	\$ 222,150,081	\$ 1,549,669	\$ 45,635,950	\$ 14,825,276
Wicomico County Free Library	2,870,868	177,262	351,900	
Total component units	<u>\$ 225,020,949</u>	<u>\$ 1,726,931</u>	<u>\$ 45,987,850</u>	<u>\$ 14,825,276</u>

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Income and other miscellaneous taxes

Grants and contributions not restricted to specific programs

Payment from Wicomico County - unrestricted contributions

Unrestricted investment earnings

Net gain (loss) on disposal of fixed assets

Miscellaneous

TRANSFERS

Total general revenues, special items, and transfers

Change in net position

NET POSITION, AS RESTATED - BEGINNING

NET POSITION - ENDING

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

Component Units

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Board of</u> <u>Education</u>	<u>Wicomico</u> <u>County Free</u> <u>Library</u>	<u>Total</u> <u>Component</u> <u>Units</u>	<u>Total</u>
\$ 2,267,623	\$	\$ 2,267,623	\$	\$	\$	\$ 2,267,623
(32,752,208)		(32,752,208)				(32,752,208)
(8,523,550)		(8,523,550)				(8,523,550)
(3,397,567)		(3,397,567)				(3,397,567)
(58,912,453)		(58,912,453)				(58,912,453)
1,309,709		1,309,709				1,309,709
(149,914)		(149,914)				(149,914)
(4,162,364)		(4,162,364)				(4,162,364)
(104,320,724)		(104,320,724)				(104,320,724)
	1,614,622	1,614,622				1,614,622
	(3,026,997)	(3,026,997)				(3,026,997)
	(687,527)	(687,527)				(687,527)
	(25,316)	(25,316)				(25,316)
	(932,814)	(932,814)				(932,814)
	(1,828,326)	(1,828,326)				(1,828,326)
	4,923	4,923				4,923
	(4,881,435)	(4,881,435)				(4,881,435)
\$ (104,320,724)	\$ (4,881,435)	\$ (109,202,159)	\$	\$	\$	\$ (109,202,159)
\$	\$	\$	\$ (160,139,186)	\$	\$ (160,139,186)	\$ (160,139,186)
				(2,341,706)	(2,341,706)	(2,341,706)
\$	\$	\$	\$ (160,139,186)	\$ (2,341,706)	\$ (162,480,892)	\$ (162,480,892)
\$ 63,034,378	\$	\$ 63,034,378	\$	\$	\$	\$ 63,034,378
55,298,280	1,392,828	56,691,108				56,691,108
			126,153,350	18,071	126,171,421	126,171,421
			41,933,294	2,294,552	44,227,846	44,227,846
578,364	127,680	706,044		2,817	2,817	708,861
43,716	(61,962)	(18,246)				(18,246)
866,686	559,676	1,426,362	205,659		205,659	1,632,021
(2,161,180)	2,161,180					
117,660,244	4,179,402	121,839,646	168,292,303	2,315,440	170,607,743	292,447,389
13,339,520	(702,033)	12,637,487	8,153,117	(26,266)	8,126,851	20,764,338
58,100,879	83,483,132	141,584,011	285,676,681	1,970,155	287,646,836	429,230,847
\$ 71,440,399	\$ 82,781,099	\$ 154,221,498	\$ 293,829,798	\$ 1,943,889	\$ 295,773,687	\$ 449,995,185

WICOMICO COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 59,491,508	\$ 271	\$ 40,381,552
Taxes receivable, net	244,026		
Other receivables	1,782,702	219,836	
Due from other funds		2,572,428	
Due from other governmental agencies	5,412,626	2,202,588	237,257
Inventories	246,387		
Prepaid expenses	472,463		
Total assets	<u>67,649,712</u>	<u>4,995,123</u>	<u>40,618,809</u>
LIABILITIES			
Accounts payable and accrued expenses	4,851,258	577,588	2,142,674
Accrued payroll and taxes	715,493	8,980	
Due to other funds	132,317		382,376
Payable to other governmental agencies	754,001		
Unearned revenues	8,907	309,606	
Accrued compensated absences	370,073	219	
Total liabilities	<u>6,832,049</u>	<u>896,393</u>	<u>2,525,050</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	153,197		
Total deferred inflows of resources	<u>153,197</u>		
FUND BALANCES			
Nonspendable	718,850		
Restricted	1,785,325	4,098,730	32,181,135
Committed	16,727,666		5,912,624
Assigned	2,116,085		
Unassigned	39,316,540		
Total fund balances	<u>60,664,466</u>	<u>4,098,730</u>	<u>38,093,759</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 67,649,712</u>	<u>\$ 4,995,123</u>	<u>\$ 40,618,809</u>

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

<u>Recreation</u> <u>(non-major)</u>	<u>Agricultural</u> <u>Tax</u> <u>(non-major)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 1,874,523	\$ 54,933	\$ 101,802,787
		244,026
27,073		2,029,611
		2,572,428
		7,852,471
5,924		252,311
89,603		562,066
<u>1,997,123</u>	<u>54,933</u>	<u>115,315,700</u>
111,794	8,617	7,691,931
73,216		797,689
		514,693
		754,001
		318,513
14,892		385,184
<u>199,902</u>	<u>8,617</u>	<u>10,462,011</u>
	46,316	199,513
	<u>46,316</u>	<u>199,513</u>
95,527		814,377
62,847		38,128,037
		22,640,290
1,638,847		3,754,932
		39,316,540
<u>1,797,221</u>		<u>104,654,176</u>
<u>\$ 1,997,123</u>	<u>\$ 54,933</u>	<u>\$ 115,315,700</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance, governmental funds	\$	104,654,176
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Net capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		97,589,631
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Notes receivable		133,994
Net OPEB asset		5,184,055
Other receivables		560,855

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

Unavailable property taxes		138,447
Deferred financing inflow - pension		(35,280)

Certain expenses that do not reduce current financial resources are not reported in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position.

Deferred financing outflow - pension		178,961
Deferred charges - refunding debt		4,103,431

Long-term liabilities, including bonds payable, are not due and payable from current period assets and, therefore, are not reported in the fund financial statements:

Capital lease obligations		(2,268,280)
Bonds, notes, and loans payable		(125,245,170)
Accrued interest payable		(1,001,870)
Net pension liability		(9,083,519)
Compensated absences		(3,367,742)
Other liabilities to governmental agencies		(101,290)

Net position of governmental activities in the Statement of Net Position	\$	71,440,399
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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, 2017

	<u>General Fund</u>	<u>Grants Funds</u>	<u>Capital Projects</u>
REVENUES			
Property taxes	\$ 63,377,661	\$	\$
Income taxes	50,749,316		
Other taxes	4,545,552		
Licenses and permits	1,402,495		
Intergovernmental	10,541,870	7,122,254	948,992
Charges for services	4,628,002	18,132	
Fines and forfeitures	25,293		
Miscellaneous	839,615	2,992	110,200
Investment earnings	569,052	3,217	
Total revenues	<u>136,678,856</u>	<u>7,146,595</u>	<u>1,059,192</u>
EXPENDITURES			
Current			
General government	14,112,547	1,534,228	1,378,906
Public safety	19,464,790	424,109	9,785,169
Detention Center	15,304,173		
Public works	10,474,364	1,314,304	994,422
Health and welfare	3,839,112		
Social services	313,663	949,662	
Education	48,386,379		10,534,764
Culture and recreation		20,345	3,037,172
Economic development	149,914		
Miscellaneous	1,271,732		
Debt service			
Principal	9,674,241		
Interest and other charges	4,302,844		
Total expenditures	<u>127,293,759</u>	<u>4,242,648</u>	<u>25,730,433</u>
Excess (deficiency) of revenues over expenditures	<u>9,385,097</u>	<u>2,903,947</u>	<u>(24,671,241)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net			23,710,979
Transfers in		69,462	3,595,885
Transfers out	(6,673,070)		
Total other financing sources (uses)	<u>(6,673,070)</u>	<u>69,462</u>	<u>27,306,864</u>
Net change in fund balances	2,712,027	2,973,409	2,635,623
Fund balances, as restated - beginning	57,952,439	1,125,321	35,458,136
Fund balances - ending	<u>\$ 60,664,466</u>	<u>\$ 4,098,730</u>	<u>\$ 38,093,759</u>

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

<u>Recreation</u> <u>(non-major)</u>	<u>Agricultural</u> <u>Tax</u> <u>(non-major)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$	\$	\$
		63,377,661
		50,749,316
		4,545,552
		1,402,495
		18,613,116
1,251,810		5,897,944
		25,293
9,718	10,087	972,612
6,095		578,364
<u>1,267,623</u>	<u>10,087</u>	<u>146,162,353</u>
		17,025,681
		29,674,068
		15,304,173
		12,783,090
		3,839,112
		1,263,325
		58,921,143
3,202,195		6,259,712
		149,914
	10,087	1,281,819
60,000		9,734,241
60,405		4,363,249
<u>3,322,600</u>	<u>10,087</u>	<u>160,599,527</u>
<u>(2,054,977)</u>		<u>(14,437,174)</u>
		23,710,979
2,298,507		5,963,854
(98,000)		(6,771,070)
<u>2,200,507</u>		<u>22,903,763</u>
145,530		8,466,589
1,651,691		96,187,587
<u>\$ 1,797,221</u>	<u>\$</u>	<u>\$ 104,654,176</u>

WICOMICO COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	8,466,589
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays, \$19,441,875, exceeded depreciation expense, \$5,664,082, in the current period.		13,777,793
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The net effect of various transactions involving capital assets (i.e. sales, transfers, trade-ins and donations on net position).		(1,359,826)
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Governmental funds report initial loans as expenditures. In contrast, the Statement of Activities reports the loans as notes receivable. Governmental funds report the principal and interest payments received on those loans as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the interest payments. Thus, the change in net position differs from the change in fund balance by the issuance of new loans and the principal payments received on all loans.		(53,676)
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.		(13,748,443)
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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		96,602
Accruals not reported on governmental funds:		
Accrued interest		200,885
Accrued post-retirement employment benefits		6,127,881
Accrued compensated absences		(250,227)
Other revenues		81,942

Change in net position of governmental activities	\$	13,339,520
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The accompanying notes are an integral part of these financial statements.

WICOMICO COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2017

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 21,413,027	\$ 959,673	\$ 712,640
Accounts receivable, net	934,119	106,393	952,907
Due from other governmental agencies		366,980	9,860
Inventories	123,751	22,390	57,604
Prepaid expenses	85,266		3,215
Total current assets	<u>22,556,163</u>	<u>1,455,436</u>	<u>1,736,226</u>
Non-current assets			
Advance to other funds			
Capital assets			
Construction in progress	69,154	2,370,387	
Intangibles	52,993	27,500	3,341
Land	176,633	6,402,061	11,156
Land improvements	995,819	1,492,336	43,541
Land disposal sites - liner costs	18,480,245		
Runways and ramps		68,722,418	
Buildings and improvements	665,012	14,593,686	3,295,913
Equipment and furniture	2,050,368	295,396	1,772,291
Vehicles	6,804,659	2,100,319	49,560
Less accumulated depreciation	(22,085,208)	(53,216,319)	(3,465,716)
Net capital assets	<u>7,209,675</u>	<u>42,787,784</u>	<u>1,710,086</u>
Total non-current assets	<u>7,209,675</u>	<u>42,787,784</u>	<u>1,710,086</u>
Total assets	<u>29,765,838</u>	<u>44,243,220</u>	<u>3,446,312</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges - refunding debt	<u>3,356</u>	<u>697</u>	
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	201,189	185,186	759,374
Accrued payroll and taxes	48,631	12,106	
Due to other governmental agencies			
Unearned revenues	201,748	144,686	
Capital lease obligation	286,810	47,892	
Bonds, notes, and loans payable	59,166	89,153	58,817
Accrued interest payable	16,345	33	
Due to other funds			
Compensated absences	18,329	1,794	
Total current liabilities	<u>832,218</u>	<u>480,850</u>	<u>818,191</u>
Non-current liabilities			
Capital lease obligation	1,209,286	384,902	
Bonds, notes, and loans payable	917,684	8,037	
Compensated absences	164,957	16,147	
Advances from other funds			
Accrued landfill closure and post-closure costs	9,400,757		
Total non-current liabilities	<u>11,692,684</u>	<u>409,086</u>	
Total liabilities	<u>12,524,902</u>	<u>889,936</u>	<u>818,191</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments			
NET POSITION			
Net investment in capital assets	4,740,085	42,258,497	1,710,086
Restricted			49,430
Unrestricted	12,504,207	1,095,484	868,605
Total net position	<u>\$ 17,244,292</u>	<u>\$ 43,353,981</u>	<u>\$ 2,628,121</u>

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

<u>Urban Services</u>	<u>Convention & Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 2,003,964	\$ 1,219,001	\$ 1,549,603	\$ 158,781	\$ 28,016,689
134,471	222,361	140,932	387,094	2,878,277
	187	45,007		376,840
	15,148	35,327		248,939
2,138,435	1,456,697	1,770,869	545,875	138,956
	78,117			31,659,701
				78,117
7,383,195		3,207,370		13,030,106
	16,340	62,759		162,933
		1,564,318		8,154,168
1,878,754		1,288,338		5,698,788
				18,480,245
				68,722,418
	713,623	15,059,921		34,328,155
	197,077	1,044,773		5,359,905
	74,808	52,117		9,081,463
(1,748,983)	(529,659)	(11,131,904)		(92,177,789)
7,512,966	472,189	11,147,692		70,840,392
7,512,966	550,306	11,147,692		70,918,509
9,651,401	2,007,003	12,918,561	545,875	102,578,210
	390	6,291		10,734
172,480	43,716	51,205	257	1,413,407
	15,604	39,565	813	116,719
13,007				13,007
	261,460	206,008		813,902
	4,647	19,746		359,095
51,223	2,166	20,812		281,337
11,986	18	1,329		29,711
		2,057,732		2,057,732
	2,211	10,174	81	32,589
248,696	329,822	2,406,571	1,151	5,117,499
	37,350	158,696		1,790,234
1,898,497	4,498	109,131		2,937,847
	19,901	91,569	733	293,307
		78,117		78,117
				9,400,757
1,898,497	61,749	437,513	733	14,500,262
2,147,193	391,571	2,844,084	1,884	19,617,761
190,084				190,084
5,563,246	423,918	10,845,598		65,541,430
83,595				133,025
1,667,283	1,191,904	(764,830)	543,991	17,106,644
\$ 7,314,124	\$ 1,615,822	\$ 10,080,768	\$ 543,991	\$ 82,781,099

WICOMICO COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Airport</u>	<u>Nursing Home</u>
REVENUES			
Charges for services	\$ 7,923,023	\$ 1,103,109	\$ 7,983,104
Other operating revenue			164,393
Total operating revenues	<u>7,923,023</u>	<u>1,103,109</u>	<u>8,147,497</u>
OPERATING EXPENSES			
Personnel services	2,687,290	539,166	5,797,748
Contractual services	169,350	63,908	1,541,056
Utilities	61,919	141,365	299,867
Repairs and maintenance	1,041,100	232,701	81,702
Other supplies and expenses	444,831	98,346	887,752
Insurance claims and expenses	24,150	37,306	61,751
Provision for post-closure costs	588,543		
Direct costs of events			
Depreciation	1,236,210	4,089,979	167,704
Bad debts	34		
Total operating expenses	<u>6,253,427</u>	<u>5,202,771</u>	<u>8,837,580</u>
Operating income (loss)	<u>1,669,596</u>	<u>(4,099,662)</u>	<u>(690,083)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	77,766	39,868	1,939
Miscellaneous revenue	18,208	550	635
Grants and contributions		1,130,978	2,556
Passenger facility charges, net of fees		235,666	
Insurance proceeds			
Interest expense	(54,974)	(531)	
Miscellaneous expense		(57,782)	
Net non-operating revenue	<u>41,000</u>	<u>1,348,749</u>	<u>5,130</u>
Income (loss) before contributions, transfers and gain (loss) on disposal of capital assets	<u>1,710,596</u>	<u>(2,750,913)</u>	<u>(684,953)</u>
Capital contributions			
Transfers in		225,000	
Transfers out			
Gain (loss) on disposal of capital assets	(66,293)	5,084	(753)
Change in net position	<u>1,644,303</u>	<u>(2,520,829)</u>	<u>(685,706)</u>
Total net position - beginning, as restated	<u>15,599,989</u>	<u>45,874,810</u>	<u>3,313,827</u>
Total net position - ending	<u>\$ 17,244,292</u>	<u>\$ 43,353,981</u>	<u>\$ 2,628,121</u>

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

<u>Urban Services</u>	<u>Convention & Visitors Bureau</u>	<u>Civic Center</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
\$ 518,103	\$ 857,621	\$ 248,565	\$ 53,488	\$ 17,829,392
518,103	857,621	3,712,389		4,734,403
		3,960,954	53,488	22,563,795
	739,554	2,288,349	45,673	12,097,780
4,200	115,446	65,678	200	1,959,838
421,758	18,356	270,558	230	1,214,053
	37,731	319,585		1,712,819
56,088	74,836	44,311	2,462	1,608,626
	325	14,256		137,788
				588,543
	809,363	2,206,791		3,016,154
11,887	42,619	575,970		6,124,369
				34
493,933	1,838,230	5,785,498	48,565	28,460,004
24,170	(980,609)	(1,824,544)	4,923	(5,896,209)
8,078	29			127,680
88,920	1,033,518	374,171	6	1,516,008
	48,093			1,181,627
				235,666
		200,829		200,829
(49,486)	(297)	(3,782)		(109,070)
				(57,782)
47,512	1,081,343	571,218	6	3,094,958
71,682	100,734	(1,253,326)	4,929	(2,801,251)
1,353,964				1,353,964
	3,748	720,577		949,325
	(24,500)	(117,609)		(142,109)
				(61,962)
1,425,646	79,982	(650,358)	4,929	(702,033)
5,888,478	1,535,840	10,731,126	539,062	83,483,132
\$ 7,314,124	\$ 1,615,822	\$ 10,080,768	\$ 543,991	\$ 82,781,099

WICOMICO COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2017

	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,552,301	\$ 1,034,603
Payments to suppliers for goods and services	(1,717,261)	(698,122)
Payments to employees for services	(2,676,246)	(563,896)
Net cash provided (used) by operating activities	<u>3,158,794</u>	<u>(227,415)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating contributions		
Operating transfers		225,000
(Increase) decrease in advances from other funds		
(Increase) decrease in due from other funds		
Other income (expense)	18,208	(57,231)
Net cash provided (used) by noncapital financing activities	<u>18,208</u>	<u>167,769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on notes and bonds payable	(55,234)	(461)
Acquisition and construction of capital assets	(1,104,119)	(1,549,733)
Proceeds from issuance of bonds		
Principal payments on notes and bonds payable	(133,382)	(135,521)
Proceeds from sale of capital assets, net of expenses	142,315	5,084
Capital grants		1,130,978
Passenger facility charges, net of fees		235,666
Net cash provided (used) by capital and related financing activities	<u>(1,150,420)</u>	<u>(313,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Other income (expense)		
Interest on investments	77,766	39,868
Net cash provided by investing activities	<u>77,766</u>	<u>39,868</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,104,348	(333,765)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,308,679</u>	<u>1,293,438</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 21,413,027</u>	<u>\$ 959,673</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,669,596	\$ (4,099,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,236,210	4,089,979
Provision for bad debt		
Landfill closure and post-closure cost	588,543	
Deferred inflow - unavailable revenue		
Changes in assets and liabilities:		
Accounts receivable	(301,300)	114,336
Other receivables		
Prepaid expenses	(28,260)	
Due to/from other governmental agencies		(173,886)
Inventories	(15,322)	(22,390)
Accounts payable and accrued expenses	78,715	(126,836)
Unearned revenues	(69,388)	(8,956)
Net cash provided (used) by operating activities	<u>\$ 3,158,794</u>	<u>\$ (227,415)</u>

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

Nursing Home	Urban Services	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
\$ 9,207,191 (4,999,254) (3,932,255) <u>275,682</u>	\$ 528,891 (483,283) <u>45,608</u>	\$ 833,473 (908,413) (739,949) <u>(814,889)</u>	\$ 3,804,498 (2,986,102) (2,340,851) <u>(1,522,455)</u>	\$ 53,488 (3,600) (45,327) <u>4,561</u>	\$ 23,014,445 (11,796,035) (10,298,524) <u>919,886</u>
	66,842	(20,752) 15,586	602,968 (15,586) 2,057,732		874,058 2,057,732
6,072		1,033,518	374,232	7	1,374,806
<u>6,072</u>	<u>66,842</u>	<u>1,028,352</u>	<u>3,019,346</u>	<u>7</u>	<u>4,306,596</u>
	(37,500) (66,841)	(259) (20,761)	(4,417) (2,655,996) 200,829		(97,871) (5,484,724) 200,829
	(50,280)	(6,697)	(37,220)		(363,100)
		48,093			147,399
					1,179,071
					235,666
<u>(87,274)</u>	<u>(154,621)</u>	<u>20,376</u>	<u>(2,496,804)</u>		<u>(4,182,730)</u>
	88,920				88,920
1,939	8,077	29			127,679
<u>1,939</u>	<u>96,997</u>	<u>29</u>			<u>216,599</u>
196,419	54,826	233,868	(999,913)	4,568	1,260,351
516,221	1,949,138	985,133	2,549,516	154,213	26,756,338
<u>\$ 712,640</u>	<u>\$ 2,003,964</u>	<u>\$ 1,219,001</u>	<u>\$ 1,549,603</u>	<u>\$ 158,781</u>	<u>\$ 28,016,689</u>
\$ (690,083)	\$ 24,170	\$ (980,609)	\$ (1,824,544)	\$ 4,923	\$ (5,896,209)
167,704 410,917	11,887	42,619	575,970		6,124,369 410,917 588,543
	1,136				1,136
446,057 24,284 11,207 145,257 (5,510) (234,151)	10,788 58 (2,431)	(59,498) 154,988 (7,739) 35,350	60,616 (16,448) (7,794) (93,183) (217,072)	 (362)	270,999 24,284 121,487 (28,571) (51,016) (385,987) (260,066)
<u>\$ 275,682</u>	<u>\$ 45,608</u>	<u>\$ (814,889)</u>	<u>\$ (1,522,455)</u>	<u>\$ 4,561</u>	<u>\$ 919,886</u>

WICOMICO COUNTY, MARYLAND
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2017

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,312,140	\$ 6,899,547	\$ 2,968,791	\$ 13,180,478
Investments		61,925,915	22,426,362	84,352,277
Accounts receivable	238,680			238,680
Due on behalf of others	615			615
Total assets	<u>3,551,435</u>	<u>68,825,462</u>	<u>25,395,153</u>	<u>97,772,050</u>
LIABILITIES				
Accounts payable	725,130			725,130
Held on the behalf of others	<u>2,826,305</u>			<u>2,826,305</u>
Total liabilities	<u>3,551,435</u>			<u>3,551,435</u>
Change in net position				
Held in trust for retirement benefits		<u>68,825,462</u>	<u>25,395,153</u>	<u>94,220,615</u>
Total net position	<u><u>\$</u></u>	<u><u>\$ 68,825,462</u></u>	<u><u>\$ 25,395,153</u></u>	<u><u>\$ 94,220,615</u></u>

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

WICOMICO COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	<u>Pension</u> <u>Trust Fund</u>	<u>Health Care</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions	\$ 3,692,879	\$ 3,475,495	\$ 7,168,374
Investment earnings			
Net increase in fair value of investments	8,144,125	2,858,835	11,002,960
Total net investment earnings	8,144,125	2,858,835	11,002,960
Total additions	11,837,004	6,334,330	18,171,334
 DEDUCTIONS			
Benefits	3,792,137		3,792,137
Administrative	71,309	69,804	141,113
Total deductions	3,863,446	69,804	3,933,250
Change in net position	7,973,558	6,264,526	14,238,084
Net position - beginning	60,851,904	19,130,627	79,982,531
Net position - ending	<u>\$ 68,825,462</u>	<u>\$ 25,395,153</u>	<u>\$ 94,220,615</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the County are presented as of June 30, 2017 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Financial reporting entity

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

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

Blended component units reported within the Primary Government:

Enterprise Funds:

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

Discretely presented component units:

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related organizations

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

Basic financial statements—government-wide financial statements

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements—fund financial statements

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

The following fund types are used by the County:

1. Governmental Funds:

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

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

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

2. Enterprise Funds:

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements—fund financial statements (continued)

- a. Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, federal, and county regulations and to provide for recycling.
- b. Airport Fund is used to account for the activities at the Salisbury-Ocean City: Wicomico Regional Airport.
- c. Nursing Home Fund is used to account for the activities at the Wicomico Nursing Home, a 102-bed nursing home providing comprehensive skilled nursing care and other related services in Salisbury, Maryland.
- d. Urban Services Fund is used to supply water and sewer to homes outside of municipalities in the County. The Urban Services Commission's charter requires that the Urban Services Fund be reported separately on the fund financial statements.
- e. Convention & Visitors Bureau Fund is used to account for activities related to the enhancement of the economic impact of tourism in the County.
- f. Civic Center Fund is used to account for activities related to the Wicomico Youth and Civic Center.

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

3. Fiduciary Funds:

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements—fund financial statements (continued)

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

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

Discretely presented component units

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely presented component units (continued)

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

Measurement focus/basis of accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement expenditures, and claims and judgments, are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus/basis of accounting (continued)

The State holds an unallocated income tax reserve related to late filers, delinquent returns and audits, and unallocated withholding. These revenues are not available to pay liabilities of the current period. Further, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years. The State annually adjusts the amount they are estimating for each County's share in the reserve. As of June 30, 2017, the County's share was \$10,031,301.

The amount related to late filers, delinquent returns and audits, and unallocated withholding is a rolling estimate, i.e., the County does not receive earmarked funds from the reserve, the State merely adjusts the County's share at year end for the revenue it distributed during the prior year related to these revenue sources offset by the new estimates for the succeeding year. Therefore, the County does not accrue for this receivable because it is not the intention of the State to pay those funds to the County in fiscal year 2018, but to continue to withhold funds related to these annual ongoing delinquencies as it distributes the applicable actual and estimated income tax revenue during the fiscal year offset by changes to the estimated level of delinquencies.

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and budgetary accounting

Article VII, Section 705 of the County Charter requires each department or agency financed in whole or in part by County funds to prepare and submit an annual budget. Formal budgetary accounting is employed as a management control for the County's General Fund, Roads Fund, Solid Waste Landfill Fund, the Salisbury - Ocean City: Wicomico Regional Airport, the Convention and Visitors Bureau, the Civic Center, and the Electrical Board. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Solid Waste Landfill and Salisbury – Ocean City: Wicomico Regional Airport Funds are adopted under a basis consistent with GAAP, only Solid Waste considers depreciation in the budget. The budgets shown in the financial statements are the budget ordinances for the year ended June 30, 2017.

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

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

Deferred outflows of resources

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

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

Use of estimates

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

Inter-fund activity

Inter-fund activity consists of advances, loans, services provided, reimbursements, or transfers between funds. Advances and loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Inventories

Inventories are maintained in the Civic Center, Convention & Visitors Bureau and Recreation departments for concessions, in the Roads department in the General Fund and Solid Waste department for materials and supplies. The Board of Education of Wicomico County maintains materials, supplies, and food and related inventories. The Wicomico Nursing Home inventories consist of medical, linen, and dietary supplies. All inventories are stated at the lower of cost or net realizable value under the first-in, first-out method of inventory valuation.

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (continued)

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

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

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

Long-term obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond discounts are reported as deferred charges. Bond issuance costs are expensed in the year incurred.

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

Compensated absences

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

Taxes and county services

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax credit – the Wynne Case

The State of Maryland currently allows Maryland citizens who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland Personal Income Tax for the income taxes paid to the other jurisdictions. Maryland has not allowed this credit against Maryland County or Municipal income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the appeal for the case, which will result in the State allowing credits against county income taxes with a resulting reduction in annual income tax revenue. For Wicomico County, the estimated effect is a reduction of \$220,000 per year. The first reduction will not take place until fiscal year 2019. In addition the tax law will allow a refund of overpayments for three prior tax years. The State Comptroller has estimated Wicomico County's liability for these refunds to be about \$855,051. The County established a fund balance reserve in fiscal year 2013 to offset the effects of these payments on future year revenue streams.

Revenues

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

Property taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and if the annual payment option is applied, are due and payable on or before September 30; on October 1 following the levy, unpaid taxes are in arrears. If the semiannual payment option is applied, the first payment is due and payable on or before September 30 and the second payment is due on or before December 31; failure to meet these payment dates puts the account in arrears. The County bills and collects its own taxes. Real property taxes uncollected as of 60 days after June 30, 2017 are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred inflows in the fund statements. An allowance is established for delinquent personal property taxes to the extent that their collectability is improbable. The tax is levied on the full real property assessable basis; however, effective for the year ended June 30, 2002 and subsequent, the taxpayers passed a revenue cap on the growth of real property tax revenues. Therefore, the Council cannot increase real property tax revenue over the previous year's revenue, excluding new construction, more than the lesser of 2% or the CPI-U.

On July 1, 2001, the County began billing and collecting property taxes for the City of Salisbury, MD. As of June 30, 2017, both local property taxes receivable and due to other governments included \$115,824 due on behalf of and to the City of Salisbury.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash flows

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

Expenditures

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

Encumbrances

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

Fund balance classifications – balance sheet

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

1. Non-spendable: Amounts that cannot be spent because they are either in a non-spendable form, or there are legal or contractual requirements.
2. Restricted: Amounts that are spendable, but must be used as directed by an external party. This includes limitations imposed by creditors, grantors, or laws and regulations of other governments.
3. Committed: Amounts that can only be used as specified by the formal action of the government's highest level of decision-making authority. The County Council is the highest level of decision-making authority, and committed funds are established by resolution or legislation.
4. Assigned: Amounts the government intends to use for a specific purpose. Intent does not require formal action by the government's highest level of decision-making authority. The County Executive's Office is responsible for the use of assigned funds in accordance with the purpose for which they were set aside.
5. Unassigned: Residual fund balance in the general fund.

Under GASB 54, encumbrances are no longer reported separately in fund balance, but are classified in the appropriate category as noted above. In Wicomico County, encumbrances are only used for legally binding contracts, and therefore are reported as a component of restricted funds.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classifications – balance sheet (continued)

The County has a policy for the spending order of the different types of fund balances. Non-spendable amounts by definition can't be spent, and restricted amounts are restricted by external parties and can only be spent in accordance with the restrictions; therefore, for purposes of the policy, they are excluded. All encumbrances are restricted because they are legal contracts.

Therefore, it is the policy of Wicomico County to spend committed, assigned, and unassigned funds in the following order:

First, assigned, all for the purposes for which they were assigned. Second, the appropriation of fund balance for subsequent year's expenditures, which is listed in the committed section. Last, unassigned fund balance, through action of County Council (appropriation of fund balance) and/or the committed Rainy Day fund balance, upon approval of County Council.

General fund

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

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

Prepaid expenses	\$ 472,463
Roads inventory reserve	246,387
Total	<u>\$ 718,850</u>

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

Encumbrances	\$ 354,883
Early retiree reinsurance program	7,135
Health care rate stabilization	1,423,307
Total	<u>\$ 1,785,325</u>

3. Committed: The Rainy Day fund, which is set by resolution, is included in this classification. Also included is any appropriation of fund balance for subsequent year's expenditures.

Subsequent year's expenditures	\$ 9,578,616
Commitments and emergencies	7,149,050
Total	<u>\$ 16,727,666</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

General fund (continued)

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

Arbitrage	\$ 108,955
Working capital, Detention Center vending	1,000
Death benefits	34,886
Self-insurance	943,763
GIS mapping	49,023
Drill academy	59,814
Roads surcharge	63,593
Wynne tax case	855,051
Total	<u><u>\$ 2,116,085</u></u>

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

Unassigned	<u><u>\$ 39,316,540</u></u>
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The governmental funds (other than the General Fund) are as follows:

1. Grants Fund – the purpose of this fund is to account for grants from external sources, primarily the State of Maryland and the Federal government.
2. Capital Projects Fund – this fund is used to account for capital outlays financed from general obligation bond proceeds and General Fund transfers.
3. Recreation Fund – this non-major fund is used to account for activities at Recreation and Parks.
4. Agricultural Tax Fund – this non-major fund is used to account for activities related to the County agricultural tax.

Government-wide net position

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Management has evaluated subsequent events through January 2, 2018, the date the financial statements were available to be issued.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Wicomico County

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

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

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

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

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

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

At June 30, 2017, the carrying amount of the County's cash deposits including the certificates of deposit for the primary government was \$129,819,476 and the bank balance was \$134,671,464. All deposits are carried at cost plus accrued interest. Of the bank balance \$113,933,466 was deposited in the MLGIP. Deposits in the MLGIP comply with Article 95 of the Annotated Code of Maryland and are rated "AAAm" by Standard and Poor's. Financial statements and additional information for the Maryland Local Government Investment Pool can be obtained at the following website:
<https://www.mlgip.com/mlgip.html>.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The remaining deposits of \$20,737,998 were exposed to custodial credit risk as follows:

FDIC coverage	\$ 1,104,457
Uninsured and collateral held by the pledging financial institution but not in the County's name	7,026,003
Uninsured and collateral held by the pledging institutions trust department but not in the County's name	12,036,201
Uninsured and uncollateralized	571,337
	<u>\$ 20,737,998</u>

Custodial credit risk

The collateralization requirements described in the preceding section are established to reduce custodial credit risk which is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of June 30, 2017, \$571,337 of the County's bank balance was exposed to custodial credit risk. This amount is comprised of checks deposited with the Bank of America that appear on the ledger balance in the County's account, but are not yet collected. At the close of each business day, the Bank of America, through the Bank of New York Mellon, provides collateralization of all collected funds. Uncollected funds are insured by the FDIC up to \$250,000. Any uncollected amount above that level is uninsured and subject to custodial credit risk. This is a systemic risk to which the County would be exposed while using a similar checking account at any other banking institution.

Fair value of investments

The County measures and records its investments using fair value guidelines established by generally accepted accounting principles. Assets recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following are assets that were accounted for at fair value on a recurring basis as of June 30, 2017:

	Fair value using:		
	Level 1	Level 2	Level 3
Maryland Local Government Investment Pool	<u>\$</u>	<u>\$ 113,933,466</u>	<u>\$</u>

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit risk

All the investments are either in fully insured certificates of deposit or in the MLGIP which has a Standard and Poor's rating of "AAA", the highest rating available.

Concentration of credit risk

The investment policy of the County allows full investment of all available funds in the MLGIP. Investments in MLGIP represent 86% of total cash as of June 30, 2017.

Interest rate risk

The County's primary concern related to cash and investments is security and liquidity and, therefore, the County has no long-term investments and has 86% of its cash deposits in the MLGIP. For the 12 months ended June 30, 2017, the actual yield of the MLGIP is estimated to be 0.56%. The fair value of the pool is the same as the value of the pool shares.

Fiduciary funds

The County follows the investment policy as outlined previously for all of its cash held on behalf of agency funds. As of June 30, 2017, the carrying amount of the County's cash deposits held on behalf of agency funds was \$3,312,140 and the bank balance was \$3,661,170. Of the bank balance, \$391,389 was deposited in MLGIP. The remaining bank balance was secured by acceptable collateral, therefore, not exposed to custodial credit risk.

Wicomico County - Pension and Health Care Trust Fund investments

The Investment policy of the County's Retirement Plan Trust requires that the pension funds be managed as a balanced account with range of 60% equity, 40% government and corporate bond mix plus or minus 5%. Cash or cash equivalents are to be less than 3% on a long-term basis. The policy also has certain restrictions on types and amounts of investments that may be included in the portfolio, e.g. foreign securities, real estate, industry groups, loans, controlling interests. The County's Pension and Health Care Trust Funds investments are held by BNY Mellon and Aetna Insurance Company in the County's name. Pension and Health Care Trust Funds are invested as follows:

	Pension Trust Fund		Health Care Trust Fund GASB 45
	BNY Mellon	Aetna	BNY Mellon
Cash and cash equivalents	\$ 6,715,580	\$ 183,967	\$ 2,968,791
Government bonds	11,388,274		4,562,234
Fixed income		3,010,128	
Corporate bonds	9,775,361		3,367,389
Equities	37,752,152		14,496,739
Total	<u>\$ 65,631,367</u>	<u>\$ 3,194,095</u>	<u>\$ 25,395,153</u>

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County

Deposits and Investments Other Than Pension Funds:

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

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

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

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

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

At June 30, 2017, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 135,353	\$ 5,898,500
Investments - cash equivalents	28,867,357	28,867,357

At June 30, 2017, the Board had bank deposits totaling \$5,898,500 with a carrying value of \$135,353. The Board is party to a security and custodial agreement with its bank wherein deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by pledged securities held in the Board's name at The Bank of New York Mellon. As of June 30, 2017, the bank deposits were fully insured or collateralized. The bank balances were exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateral held by pledging bank's trust department in the Board's name	5,648,500
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	<u>\$ 5,898,500</u>

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created with the passage of Article 94 Section 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated "AAAm" by Standard and Poor's.

The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates fair value. Investments in MLGIP totaled \$28,867,357 at June 30, 2017 with \$5,911,625 committed/assigned for health insurance rate stabilization.

Pension and Other Trust Fund Investments:

The Investment policy of the Board's Retirement Plan Trust requires that the pension funds be managed as a balanced account with approximately a 60% equity, 40% government and corporate bond mix. Cash or cash equivalents are to be less than 3% on a long-term basis. The policy also has certain restrictions on types and amounts of investments that may be included in the portfolio, e.g. foreign securities, real estate, industry groups, loans, controlling interests.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

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

Pension and other trust funds are invested as follows:

	Pension Trust		401(a)	Retiree Health Plan Trust	
	BNY Mellon	AETNA	Janus	BNY Mellon	Total
Cash and equivalents	\$ 2,292,146	\$ 13,002	\$ 31,601	\$ 2,412,803	\$ 4,749,552
Government bonds	3,407,258	55,258	235,207	3,535,315	7,233,038
Commercial paper (less than 1 year)		270,473			270,473
Mortgage loans		281,492	450,813		732,305
Corporate bonds	3,415,447	950,440	652,019	2,590,201	7,608,107
Common stock	12,312,371		2,491,272	10,859,915	25,663,558
Other			139,203		139,203
Total	\$ 21,427,222	\$ 1,570,665	\$ 4,000,115	\$ 19,398,234	\$ 46,396,236

Corporate bonds held at June 30, 2017 are rated by Standard & Poor's as follows:

	Percent of Corporate Bond Portfolio			
	Pension Trust		401(a)	Retiree Health Plan Trust
Rating	BNY Mellon	AETNA	Janus	BNY Mellon
AAA	5.62%		17.11%	5.41%
AA+				
AA	1.10%		23.06%	
AA-	16.97%			24.10%
A+	14.89%	22.03%		13.85%
A	34.12%		7.00%	38.94%
A-	19.45%	38.98%		14.31%
BBB+	3.80%	38.98%		2.01%
BBB			39.49%	
BBB-	4.05%			1.38%
BB			7.86%	
B			2.36%	
Not Rated			3.12%	

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

Pension Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2017 are as follows:

	Par Value	Description	Coupon Rate	Due
\$	70,000	Baker Hughes Inc.	7.50%	11/15/18
\$	125,000	Burlington Northern Sante Fe LLC	3.45%	09/15/21
\$	185,000	Caterpillar Inc.	5.45%	04/15/18
\$	200,000	Chevron Corp.	1.37%	03/02/18
\$	200,000	Cisco Systems Inc.	2.13%	03/01/19
\$	45,000	ConocoPhillips Corp.	5.20%	05/15/18
\$	150,000	Covidien Intl	3.20%	06/15/22
\$	25,000	Deere & Co.	8.50%	01/09/22
\$	45,000	Dupont El De Nemours	6.00%	07/15/18
\$	200,000	Franklin Resources Inc.	4.63%	05/20/20
\$	175,000	General Electric Co.	5.25%	12/06/17
\$	125,000	GTE Corp.	6.84%	04/15/18
\$	85,000	Hubbell Inc.	5.95%	06/01/18
\$	120,000	IBM Corp.	5.70%	09/14/17
\$	200,000	JP Morgan Chase & Co.	1.70%	03/01/18
\$	175,000	JP Morgan Chase & Co.	2.30%	08/15/21
\$	185,000	Johnson & Johnson	5.15%	07/15/18
\$	60,000	Nucor Corp.	5.75%	12/01/17
\$	135,000	PPG Industries Inc.	2.30%	11/15/19
\$	30,000	Pharmacia Corp.	8.70%	10/15/21
\$	135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	275,000	Qualcomm Inc.	3.00%	05/20/22
\$	200,000	Schwab Charles Corp.	4.45%	07/22/20
\$	170,000	United Parcel Service	5.50%	01/15/18

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

AETNA:

Corporate bond issues held at June 30, 2017 are as follows:

	<u>Percent of Holdings</u>
Berkshire Hathaway Inc.	22.03%
Bank of America Corp.	20.34%
Duke Energy	20.34%
AT&T Inc.	18.64%
Anheuser-Busch InBev SA/NV	18.64%

401(a):

Janus:

Corporate bond issues held at June 30, 2017 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 6.03 years	

Retiree Health Plan Trust:

BNY Mellon:

Corporate bond issues held at June 30, 2017 are as follows:

	<u>Par Value</u>	<u>Description</u>	<u>Coupon Rate</u>	<u>Due</u>
\$	20,000	Baker Hughes Inc.	7.50%	11/15/18
\$	100,000	Burlington Northern Santa Fe LLC	3.45%	09/15/21
\$	135,000	Caterpillar Inc.	5.45%	04/15/18
\$	170,000	Chevron Corp.	1.37%	03/02/18
\$	160,000	Cisco Systems Inc.	2.13%	03/01/19
\$	15,000	ConocoPhillips Corp.	5.20%	05/15/18
\$	135,000	Covidien Intl	3.20%	06/15/22
\$	15,000	DuPont El De Nemours	6.00%	07/15/18
\$	150,000	Franklin Resources Inc.	4.63%	05/20/20
\$	140,000	General Electric Co.	5.25%	12/06/17
\$	50,000	GTE Corp	6.84%	04/15/18
\$	75,000	Hubbell Inc.	5.95%	06/01/18
\$	60,000	IBM Corp.	5.70%	09/14/17
\$	170,000	JP Morgan Chase & Co.	1.70%	03/01/18
\$	150,000	JP Morgan Chase & Co.	2.30%	08/15/21

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Board of Education of Wicomico County (Continued)

BNY Mellon (Continued):

	Par Value	Description	Coupon Rate	Due
\$	135,000	Johnson & Johnson	5.15%	07/15/18
\$	150,000	MasterCard Inc.	2.00%	04/01/19
\$	20,000	Nucor Corp.	5.75%	12/01/17
\$	35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$	210,000	Qualcomm Inc.	3.00%	05/20/22
\$	150,000	Schwab Charles Corp.	4.45%	07/22/20
\$	150,000	Toyota Motor Corp.	2.00%	10/24/18
\$	135,000	United Parcel Service	5.50%	01/15/18

The Wicomico County Free Library

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

Cash that is not fully insured by the FDIC is collateralized as part of a tri-party collateral agreement with M&T Bank and the Bank of New York Mellon. This agreement provides continual maximum coverage of \$500,000 in case of default or failure of the Library's financial institution. As of June 30, 2017, \$34,598 of the Library's deposits were not covered by the FDIC but were collateralized under the agreement with M&T Bank.

Investment pool - MLGIP

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

Wicomico Public Library endowment fund

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

The market value of the investment as of June 30, 2017 was \$14,219 and is reported in the Gifts and Memorials Fund. Of this amount, \$3,015 is available to be drawn down by the Library, which leaves restricted balance of \$11,204 held for investment. Activity in the endowment fund for the year is as follows:

Balance, beginning of year	\$	12,628
Income		1,591
Balance, end of year	\$	<u>14,219</u>

Wicomico Public Library non-endowed fund

In June 2015, an individual donated stock to the Library which was liquidated and put into a new account with the CFES, called the Wicomico County Free Library Non-Endowed Fund. Any distributions from the fund must be requested by the Executive Director and the Board Chair and must be used for the sole purpose of serving the non-profit mission of the Library. The CFES shall sweep all interest from the Fund to offset its administrative costs. The balance in this fund at June 30, 2017 was \$9,934 and is included in the restricted fund balance.

Balance, beginning of year	\$	9,941
Loss		(7)
Balance, end of year	\$	<u>9,934</u>

Fair value of investments

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Wicomico County Free Library (Continued)

Fair value of investments (continued)

The following are assets that were accounted for at fair value on a recurring basis as of June 30, 2017:

	Fair value using:		
	Level 1	Level 2	Level 3
Maryland Local Government Investment Pool	\$	\$ 403,526	\$
Wicomico Public Library Endowment Fund			14,219
Wicomico Public Library Non-endowed Fund			9,934
	<u>\$</u>	<u>\$ 403,526</u>	<u>\$ 24,153</u>

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

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

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

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

Balance, beginning of year	\$ 22,569
Income	1,584
Balance, end of year	<u>\$ 24,153</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

RECEIVABLES

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year unavailable revenue for delinquent property taxes receivable reported in the general fund was \$138,447.

Receivables as of year end for the government-wide financial statements, including the applicable allowances for uncollectible accounts as of June 30, 2017 are as follows:

	Governmental Activities				
	General Fund	Grants Fund	Capital Projects	Other	Total
Receivables					
Taxes receivable	\$ 2,442,162	\$	\$	\$	\$ 2,442,162
Notes receivable	133,994				133,994
Due from other governmental agencies	5,973,481	2,439,845			8,413,326
Other receivables	843,248	219,836		27,073	1,090,157
Gross receivables	9,392,885	2,659,681		27,073	12,079,639
Less allowance for uncollectibles	1,258,682				1,258,682
Net total receivables	<u>\$ 8,134,203</u>	<u>\$ 2,659,681</u>	<u>\$</u>	<u>\$ 27,073</u>	<u>\$ 10,820,957</u>
	Business-Type Activities				
	Solid Waste	Airport	Nursing Home	Other	Total
Receivables					
Accounts receivable	\$ 934,119	\$ 106,393	\$ 952,907	\$ 884,858	\$ 2,878,277
Due from other governmental agencies		366,980	9,860		376,840
Gross receivables	934,119	473,373	962,767	884,858	3,255,117
Less allowance for uncollectibles					
Net total receivables	<u>\$ 934,119</u>	<u>\$ 473,373</u>	<u>\$ 962,767</u>	<u>\$ 884,858</u>	<u>\$ 3,255,117</u>

Receivables for The Board of Education of Wicomico County and The Wicomico County Free Library as of June 30, 2017 are \$11,186,222 and \$16,752, respectively.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 6,499,654	\$ 211,963	\$	\$	\$ 6,711,617
Intangibles	8,890,894				8,890,894
Construction in progress	8,027,590	16,217,215	(4,500)	(27,094)	24,213,211
Total capital assets not being depreciated	23,418,138	16,429,178	(4,500)	(27,094)	39,815,722
Capital assets being depreciated					
Infrastructure	176,569,292				176,569,292
Land improvements	1,548,353	33,576			1,581,929
Buildings and improvements	45,776,405	119,366			45,895,771
Machinery, office furniture and equipment	9,727,941	695,259	(34,155)		10,389,045
Intangibles	1,991,543	14,818		27,094	2,033,455
Vehicles	13,700,932	1,300,845	(453,641)	39,547	14,587,683
Total capital assets being depreciated	249,314,466	2,163,864	(487,796)	66,641	251,057,175
Total capital assets	\$ 272,732,604	\$ 18,593,042	\$ (492,296)	\$ 39,547	\$ 290,872,897
Accumulated depreciation					
Infrastructure	\$ (136,811,575)	\$ (2,731,946)	\$	\$	\$ (139,543,521)
Land improvements	(868,838)	(61,144)			(929,982)
Buildings and improvements	(29,163,471)	(1,309,917)			(30,473,388)
Machinery, office furniture and equipment	(7,522,515)	(455,201)	32,793		(7,944,923)
Intangibles	(1,847,059)	(94,828)			(1,941,887)
Vehicles	(11,542,963)	(1,011,046)	143,991	(39,547)	(12,449,565)
Total accumulated depreciation	(187,756,421)	(5,664,082)	176,784	(39,547)	(193,283,266)
Governmental activities capital assets, net	\$ 84,976,183	\$ 12,928,960	\$ (315,512)	\$	\$ 97,589,631

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government (continued)

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 8,154,168	\$	\$	\$	\$ 8,154,168
Intangibles	62,500				62,500
Construction in progress	7,825,573	5,204,533			13,030,106
Total capital assets not being depreciated	16,042,241	5,204,533			21,246,774
Capital assets being depreciated					
Land improvements	5,675,638	23,150			5,698,788
Land disposal sites - liner costs	18,480,245				18,480,245
Runways and ramps	68,722,418				68,722,418
Buildings and improvements	33,929,245	398,910			34,328,155
Machinery, office furniture and equipment	5,189,228	207,644	(36,966)		5,359,906
Intangibles	109,677	7,856	(17,100)		100,433
Vehicles	7,601,202	2,474,221	(954,413)	(39,547)	9,081,463
Total capital assets being depreciated	139,707,653	3,111,781	(1,008,479)	(39,547)	141,771,408
Total capital assets	\$ 155,749,894	\$ 8,316,314	\$ (1,008,479)	\$ (39,547)	\$ 163,018,182
Accumulated depreciation					
Land improvements	\$ (2,568,859)	\$ (119,095)	\$	\$	\$ (2,687,954)
Land disposal sites - liner costs	(14,356,598)	(824,730)			(15,181,328)
Runways and ramps	(37,691,547)	(3,617,625)			(41,309,172)
Buildings and improvements	(21,400,094)	(934,495)			(22,334,589)
Machinery, office furniture and equipment	(4,153,329)	(198,107)	29,331		(4,322,105)
Intangibles	(111,477)	(2,182)	17,100		(96,559)
Vehicles	(6,610,182)	(428,135)	752,687	39,547	(6,246,083)
Total accumulated depreciation	(86,892,086)	(6,124,369)	799,118	39,547	(92,177,790)
Business-type activities capital assets, net	\$ 68,857,808	\$ 2,191,945	\$ (209,361)	\$	\$ 70,840,392

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS (Continued)

Primary Government (continued)

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

GOVERNMENTAL ACTIVITIES:

General Government	\$ 762,977
Public Safety	1,072,937
Public Works	3,326,210
Health & Welfare	51,994
Culture & Recreation	449,964
Total depreciation expense – governmental activities	<u>\$ 5,664,082</u>

BUSINESS-TYPE ACTIVITIES:

Solid Waste	\$ 411,480
Solid Waste – land disposal sites	824,730
Salisbury – Ocean City: Wicomico Regional Airport	4,089,979
Nursing Home	167,704
Urban Services	11,887
Convention & Visitors Bureau	42,619
Civic Center	575,970
Total depreciation expense – business-type activities	<u>\$ 6,124,369</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 4,079,740	\$	\$	\$	\$ 4,079,740
Construction in progress	71,870,112	13,707,178		(72,209,545)	13,367,745
Total capital assets not being depreciated	75,949,852	13,707,178		(72,209,545)	17,447,485
Capital assets being depreciated					
Buildings and improvements	277,799,964	231,215	(3,564,156)	72,209,545	346,676,568
Furniture and equipment	41,119,312	2,790,358	(1,483,753)		42,425,917
Vehicles	3,209,071	856,002	(219,628)		3,845,445
Total capital assets being depreciated	322,128,347	3,877,575	(5,267,537)	72,209,545	392,947,930
Total capital assets	\$ 398,078,199	\$ 17,584,753	\$ (5,267,537)	\$	\$ 410,395,415
Less accumulated depreciation					
Buildings and improvements	(89,967,620)	(7,496,767)	2,879,627		(94,584,760)
Furniture and equipment	(31,653,620)	(3,401,893)	1,449,915		(33,605,598)
Vehicles	(1,627,762)	(345,936)	217,206		(1,756,492)
Total accumulated depreciation	(123,249,002)	(11,244,596)	4,546,748		(129,946,850)
Total capital assets, being depreciated, net	198,879,345	(7,367,021)	(720,789)	72,209,545	263,001,080
Governmental activities capital assets, net	\$ 274,829,197	\$ 6,340,157	\$ (720,789)	\$	\$ 280,448,565
<u>BUSINESS TYPE ACTIVITIES:</u>					
Capital assets being depreciated					
Equipment	\$ 2,297,300	\$ 57,160	\$ (50,659)	\$	\$ 2,303,801
Accumulated depreciation	(1,841,391)	(57,685)	47,181		(1,851,895)
Business-type activities capital assets, net	\$ 455,909	\$ (525)	\$ (3,478)	\$	\$ 451,906

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS (Continued)

Board of Education of Wicomico County (continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 181,361
Instructional Services	10,029,843
Special Education	24,375
Student Personnel Services	15,285
Health Services	4,974
Student transportation	319,414
Operation of plant and equipment	597,785
Maintenance of plant	64,877
Community Services	6,682
Total governmental depreciation expense	<u>11,244,596</u>

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

Food service	<u>57,685</u>
Total business-type depreciation expense	<u>57,685</u>
Total depreciation expense	<u>\$ 11,302,281</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

CAPITAL ASSETS (Continued)

Wicomico County Free Library

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Assets not being depreciated				
Land	\$ 80,820	\$	\$	\$ 80,820
Other capital assets				
Building & improvements	2,553,248	4,980		2,558,228
Furniture and equipment	1,368,995	24,874	31,946	1,361,923
Bookmobile	178,634	665		179,299
Total capital assets	4,181,697	30,519	31,946	4,180,270
Less accumulated depreciation	3,360,063	94,336	31,822	3,422,577
Net capital assets	<u>\$ 821,634</u>	<u>\$ (63,817)</u>	<u>\$ 124</u>	<u>\$ 757,693</u>

LIBRARY COLLECTIONS

Library collections and related accumulated amortization activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Cost	\$ 1,363,143	\$ 199,056	\$ 211,981	\$ 1,350,218
Less accumulated amortization	781,529	164,161	211,981	733,709
Net Library collections	<u>\$ 581,614</u>	<u>\$ 34,895</u>	<u>\$</u>	<u>\$ 616,509</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

INTER-FUND RECEIVABLES AND PAYABLES - FUND STATEMENTS

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

During the year ended June 30, 2005, the Convention & Visitors Bureau fund advanced \$214,965 to the Civic Center. The loan requires annual payments of principal and interest of \$19,334. Interest is at 4%. The loan matures June 30, 2020. The balance of the advance as of June 30, 2017 is \$78,117.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Component unit – Board of Education	Primary government – capital projects	<u>\$ 1,780,949</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

INTER-FUND TRANSACTIONS

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

A summary of interfund transfers follows:

	General Fund	Grants	Capital Projects	Recreation	Convention & Visitors Bureau	Civic Center	Other Enterprise Funds	Total
General Fund	\$	\$ 69,462	\$ 3,482,024	\$ 2,274,007	\$	\$ 622,577	\$ 225,000	\$ 6,673,070
Grants	(69,462)							(69,462)
Capital Projects	(3,482,024)					(113,861)		(3,595,885)
Recreation	(2,274,007)				(24,500)	98,000		(2,200,507)
Convention & Visitors Bureau				24,500		(3,748)		20,752
Civic Center	(622,577)		113,861	(98,000)	3,748			(602,968)
Other Enterprise Funds	(225,000)							(225,000)
Total	<u>\$ (6,673,070)</u>	<u>\$ 69,462</u>	<u>\$ 3,595,885</u>	<u>\$ 2,200,507</u>	<u>\$ (20,752)</u>	<u>\$ 602,968</u>	<u>\$ 225,000</u>	<u>\$</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

General obligation bonds have been issued for both general government and enterprise activities. These bonds are reported in the enterprise funds if they are expected to be paid from enterprise fund revenues. The original amount of general obligation bonds issued in prior and current years that remain outstanding as of June 30, 2017 was \$204,329,000. The original amount of general obligation bonds including issuance premiums after refunding that remain outstanding as of June 30, 2017 was \$128,320,246.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15 – 25 year serial bonds with different amounts of principal maturing each year.

The County's debt is limited to 3.2% of total assessed value of real property plus 8% of total assessed value of personal property located within the County. The debt limit for the fiscal year ending June 30, 2017 was \$219,929,984. The remaining debt authority after considering various debt obligations of \$128,405,536 was \$91,524,548: 41.6% of the debt capacity remains available.

As shown on the combined statement of net position, total debt of the primary government including all blended component units is \$132,881,958. However, based on information from the County, and as reported in the audited financial statements of the Wicomico Nursing Home, there is no recourse to the County on the working capital of that facility. Therefore, the amount of that indebtedness, or \$58,817, is removed from total primary government debt and is also excluded from the County's limitation on bonded debt.

On November 15, 2016, the County issued \$20,300,000 in General Obligation Bonds with an average interest rate of 4.46 percent to fund the purchase of United States Treasury Bills and United States Treasury Notes to fund Board of Education renovation projects (\$700,000) including the building of the new West Salisbury replacement school (\$7,500,000), the new Board of Elections building (\$1,100,000) and the upgrade to the Emergency Services replacement of the Public Safety Radio System (\$11,000,000).

WICOMICO COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Long-term debt of the Primary Government consists of the following as of June 30, 2017:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>GOVERNMENTAL ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	1.0-6.12%	\$ 106,120,969	\$ 20,300,000	\$ (9,734,059)	\$ 116,686,910	\$ 10,799,993
Add issuance premiums		5,728,007	3,410,979	(580,726)	8,558,260	
Total bonds payable		111,848,976	23,710,979	(10,314,785)	125,245,170	10,799,993
Total bonds and loans payable		111,848,976	23,710,979	(10,314,785)	125,245,170	10,799,993
Capital lease obligations	*	2,510,902		(242,627)	2,268,275	251,006
Governmental activity long-term liabilities, primary government		114,359,878	23,710,979	(10,557,412)	127,513,445	11,050,999
<u>BUSINESS-TYPE ACTIVITIES</u>						
Bonds payable						
General obligation						
bonds	2.5-3.9%	3,192,731		(133,726)	3,059,005	137,230
Add issuance premiums		18,572		(2,501)	16,071	
Total bonds payable		3,211,303		(136,227)	3,075,076	137,230
Other loans payable						
Maryland DBED loan	3.00%	170,579		(85,289)	85,290	85,290
Maryland DHMH loan	0.00%	55,936	2,881		58,817	58,817
Other loans payable		226,515	2,881	(85,289)	144,107	144,107
Total bonds and loans payable		3,437,818	2,881	(221,516)	3,219,183	281,337
Capital lease obligations	*	748,951	1,544,469	(144,090)	2,149,330	359,095
Business-type activity long-term liabilities		4,186,769	1,547,350	(365,606)	5,368,513	640,432
Less: Nursing Home		(55,936)	(2,881)		(58,817)	(58,817)
Business-type activity long-term liabilities, primary government		4,130,833	1,544,469	(365,606)	5,309,696	581,615
Total debt, primary government		118,490,711	25,255,448	(10,923,018)	132,823,141	11,632,614
* Debt not subject to limitation		(3,259,853)	(1,544,469)	386,717	(4,417,605)	(610,101)
Debt subject to limitation		\$ 115,230,858	\$ 23,710,979	\$ (10,536,301)	\$ 128,405,536	\$ 11,022,513

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Summary of remaining debt service requirements for bond payable for the year(s) ended June 30 are as follows (note that the amortization of issuance premiums are included in the interest portion of debt service, not the principal):

	Governmental Activities		Business-type Activities	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 10,799,993	\$ 4,446,743	\$ 137,230	\$ 74,273
2019	10,175,220	4,043,119	133,963	70,487
2020	9,756,456	3,613,863	130,696	66,642
2021	9,116,599	3,252,084	106,560	63,105
2022	8,132,779	2,888,801	103,395	59,674
2023-2027	29,017,558	10,402,473	512,222	251,041
2028-2032	27,350,128	5,024,364	542,052	185,586
2033-2037	11,151,840	904,049	554,504	122,267
2038-2042	1,186,337	61,680	504,576	59,165
2043-2047			333,807	15,839
Total debt service requirements	<u>\$ 116,686,910</u>	<u>\$ 34,637,176</u>	<u>\$ 3,059,005</u>	<u>\$ 968,079</u>

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

	Business-type Activities	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 85,290	\$ 2,558
Total debt service requirements	<u>\$ 85,290</u>	<u>\$ 2,558</u>

The Maryland DBED loan (above) has a forgiveness clause, the conditions of which must be met on December 31 of each year and reported by January 15 of each year. If the conditions are met, 1/5 of the loan is forgiven. If the conditions are not met, 1/5 of the loan must be repaid with interest on April 1st. One fifth of the principal is \$85,290. The loan was initiated in fiscal year 2014 with a total principal amount of \$426,448. The conditions of the forgiveness clause were met for fiscal year 2017, so there was no payment of principal or interest required in fiscal year 2017.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

During the year ended June 30, 2012, the County entered into an agreement with Energy Systems Group (ESG) for multi-phased energy efficient upgrades and equipment installation. The work contracted for through ESG was completed during fiscal year 2013. The County entered into a lease agreement with Grant Capital Management, Inc. during the year ended June 30, 2012 to fund the design and construction work of the energy efficient upgrades. The lease is payable in biannual payments of \$211,974 beginning July 2013 and bears interest at 3.4%. The balance of the lease as of June 30, 2017 is \$2,944,857.

The County entered into a lease agreement with Caterpillar Financial Services Corporation during the year ended June 30, 2017 for the purchase of a tractor and an excavator for the Solid Waste Department. The lease is payable in monthly payments of \$12,019 beginning January 2017 and bears interest at 4.45%. The balance of the lease as of June 30, 2017 is \$588,862.

The County entered into a lease agreement with Caterpillar Financial Services Corporation during the year ended June 30, 2017 for the purchase of a landfill compactor for the Solid Waste Department. The lease is payable in monthly payments of \$16,844 beginning June 2017 and bears interest of 4.79%. The balance of the lease as of June 30, 2017 is \$883,886.

Future minimum lease payments under capital leases are as follows:

Year ending June 30	Primary Government	
	Governmental Activities	Business-type Activities
2018	\$ 326,546	\$ 443,762
2019	326,546	443,762
2020	326,546	443,762
2021	326,546	443,762
2022	326,546	443,762
2023-2025	979,633	292,207
	2,612,363	2,511,017
Amounts representing interest	(344,088)	(361,687)
Present value of future minimum lease payments	\$ 2,268,275	\$ 2,149,330

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

Governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	<u>\$ 2,534,991</u>	<u>\$ 1,693,267</u>	<u>\$ 1,668,983</u>	<u>\$ 2,559,275</u>	<u>\$ 1,221,235</u>

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	<u>\$ 45,477</u>	<u>\$</u>	<u>\$ 22,615</u>	<u>\$ 22,862</u>	<u>\$ 22,862</u>

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

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

The following is an analysis of equipment currently being leased under capital leases as of June 30, 2017:

Governmental activities:		Capital Assets
Vehicles:		
	2015	\$ 122,993
	2016	121,179
	2017	121,109
Computers:		
	2015	1,154,121
	2016	1,831,543
	2017	1,572,158
Total		<u>\$ 4,923,103</u>
Business-type activities:		
Equipment:		
	2015	<u>\$ 90,960</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

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

Governmental activities:

Year Ending <u>June 30</u>	<u>Board of Education</u>
2018	\$ 1,253,989
2019	929,500
2020	431,250
Less: amounts representing interest	(55,464)
Present value of future minimum lease payments	<u>\$ 2,559,275</u>

Business-type activities:

Year Ending <u>June 30</u>	<u>Board of Education</u>
2018	\$ 23,111
Less: amounts representing interest	(249)
Present value of future minimum lease payments	<u>\$ 22,862</u>

HEALTH INSURANCE RESERVES

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

HEALTH INSURANCE RESERVES (Continued)

For the year ended June 30, 2017, the health care insurance reserve had the following activity:

Balance at July 1, 2016	\$ 1,347,312
Interest earned (net of expenditures)	6,300
County share of health rate rebates	<u>251,551</u>
Balance of reserve June 30, 2017 before cap computation	\$ 1,605,163
Health care premium paid through 8/31/16	\$ 10,166,482
Maximum required reserve balance equals 14% prior year premium	\$ 1,423,307
Excess in health care reserve balance transferred to Unassigned Fund Balance	<u>181,856</u>
Rate stabilization reserve balance at June 30, 2017	<u><u>\$ 1,423,307</u></u>

The balance in the reserve fund after interest and cost/rebates is compared to the maximum level required under the agreement (14% of prior year's annual premium). The excess of \$181,856 was transferred to the County's unassigned fund balance leaving the Health Care Rate Stabilization balance funded at 14% of prior year annual premium cost. The size of the excess this year reflects the fact that the RSR has retained more funds than required in prior fiscal years. The table below shows the computation of full funding.

Health Care <u>Period Ending</u>	<u>Premium Paid</u>	Full <u>Funding Amount</u>
August 31, 2016	\$10,166,482	\$776,729
August 31, 2015	\$9,623,659	
August 31, 2014	\$9,337,188	

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 8% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2016, the County's total share of the consortium's settlement was a surplus of \$251,551. The RSR for the health care plan is maintained within the general fund.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

HEALTH INSURANCE RESERVES (Continued)

Board of Education of Wicomico County

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

For the year ended June 30, 2017, the health care insurance reserve had the following activity:

Balance at July 1, 2016	\$ 4,665,397
Subsidy for rate increase	-
Insurance settlement – 2016	1,319,841
Interest earned	30,308
Consulting and other expenditures	<u>(103,921)</u>
Balance at June 30, 2017	<u>\$ 5,911,625</u>

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2016, the Board's share of the consortium's settlement was a surplus of \$1,319,841. These amounts were included as other financing sources (uses) during the year ended June 30, 2017.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

OTHER LIABILITIES TO GOVERNMENTAL AGENCIES

In December, 2001, the Wicomico County Urban Services Commission and Wicomico County entered into an agreement with the City of Fruitland for the purpose of providing water and/or sewer services to areas designated as the service area for the City of Fruitland in the "Wicomico County Comprehensive Water and Sewer Plan". Under this agreement, the City of Fruitland agrees to construct and maintain all lines and charge 150% of their current City rate for services, with 2% of the gross revenue being remitted to the Commission by the City. As of June 30, 2017 there were no charges for services under this agreement. As part of the agreement, the County paid the City of Fruitland \$1,800,000 for expansion and upgrade of the City's existing water treatment and wastewater treatment plant and contracted to pay the City an amount equal to a portion of the City's debt on these facilities at the time of the contract, or \$1,678,234 plus interest. This payment will be made, in installments, over the existing life of the current loans. Total payment in the current year for principal and interest was \$105,304. The total balance due as of June 30, 2017 was \$101,290, with the entire balance being due within one year.

ARBITRAGE PAYABLE

Wicomico County's arbitrage consultant has advised that as of June 30, 2017, there is no potential liability to be paid to the federal government during fiscal year 2017, based on interest rates and disbursement of bond proceeds. The County has \$108,955 in arbitrage reserve to cover potential liabilities.

ACCRUED COMPENSATED ABSENCES

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

ACCRUED COMPENSATED ABSENCES (Continued)

Changes in accrued compensated absences for the year ended June 30, 2017 are as follows:

	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>	<u>June 30, 2017</u>
Primary government:			
Governmental activities	\$ 3,474,660	\$ 278,266	\$ 3,752,926
Business-type activities	361,490	(35,594)	328,896
Total primary government	<u>\$ 3,836,150</u>	<u>\$ 242,672</u>	<u>\$ 4,081,822</u>

	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>	<u>June 30, 2017</u>
Component units:			
Board of Education of Wicomico Co.	\$ 2,635,023	\$ (19,638)	\$ 2,615,385
Wicomico County Free Library	128,258	5,164	133,422
Total component units	<u>\$ 2,763,281</u>	<u>\$ (14,474)</u>	<u>\$ 2,748,807</u>

PENSION AND RETIREMENT PLANS

Retirement plans for the employees of Wicomico County, Maryland

General plan

Plan description

The County, through the authority of the County Council, provides pension, death, disability and retirement benefits through a single employer public employee retirement system (the "County Plan") for its general and public safety employees who have reached the age of 18 and have agreed to make a contribution. The County Plan has a group pension disbursement contract with the Aetna Life Insurance Company and an investment manager contract with Croft-Leominster, Inc. A Board of Trustees holds title to the assets of the plan and controls the operation and record keeping of the trust. The plan does not issue separate financial statements. The plan's financial information is included in the fiduciary fund financial statements and includes realized and unrealized gains and losses on investments.

Normal retirement is the earlier of a participant's 25th anniversary or, the later of (1) a participant's 55th birthday and (2) 5 years of service. Early retirement and disability benefits are provided. Normal form of pension is a modified cash refund annuity. Death benefits equal the return of employee contribution. If married with five years of service, pre-retirement survivor annuity is provided.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

General plan (Continued)

Plan description (Continued)

Membership in the pension plan is comprised of the following at July 1, 2016, the latest actuarial valuation date.

Active eligible	647
Terminated with vested	52
Retired	215
	<u>914</u>

Funding policy

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

Investments

The investment policy is established by the Board of Trustees. The policy of the Trustees is to pursue an investment strategy that reduces risk through the prudent diversifications of assets. With the exception of cash, the Committee requires a diversification of investments, which are reported at fair value which is quoted market price. The following is the asset allocation as of June 30, 2017:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	34%
Equities	56%
Cash	10%

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

General plan (Continued)

Net pension liability

The components of the net pension liability of the County at June 30, 2017 were as follows (as calculated under GASB 68):

Total pension liability	\$ 77,268,929
Plan fiduciary net position	<u>68,825,462</u>
Net pension liability	<u><u>\$ 8,443,467</u></u>
Plan fiduciary net position adjusted as a percentage of the total pension liability	<u><u>89.07%</u></u>

The amount shown above as the "total pension liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial accrued liability under the entry age normal actuarial cost method determined by an actuarial valuation as of June 30, 2017. Significant actuarial assumptions used in determining the pension benefit obligation include the RP-2000 Generational Mortality table, an assumed rate of return of 7.25% and salary increases of 2.5% per year.

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Pension's Plan target asset allocation as of June 30, 2017 are summarized in the following table.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

General plan (Continued)

Net pension liability (Continued)

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

Rate selected: 7.25%

Based on the current Investment Policy and Funding Policy, the Plan is projected to not deplete; therefore, the same rate of 7.25% is used for both the discount rate and the long-term rate of expected investment returns.

Discount rate – The discount rate used to measure the total pension liability was the long-term expected rate-of-return assumption of 7.25%. The projection of cash flows used to determine the discount rate assumes that the County will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and no municipal bond rate was utilized.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the Plan's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$17,449,937	\$8,443,467	\$859,900

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

General plan (Continued)

Net pension liability (Continued)

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

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at June 30, 2016	\$ 74,133,607	\$ 60,851,904	\$ 13,281,703
Changes for the year:			
Service cost	\$ 3,142,991	\$	\$ 3,142,991
Interest	5,239,627		5,239,627
Liability experience (gain)/loss	(1,455,159)		(1,455,159)
Employer contributions		2,009,396	(2,009,396)
Net employee contributions		1,683,482	(1,683,482)
Net investment income		8,144,126	(8,144,126)
Benefit payments	(3,792,137)	(3,792,137)	
Administrative expense		(71,309)	71,309
Net changes	<u>3,135,322</u>	<u>7,973,558</u>	<u>(4,838,236)</u>
Balance at June 30, 2017	<u><u>\$ 77,268,929</u></u>	<u><u>\$ 68,825,462</u></u>	<u><u>\$ 8,443,467</u></u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

Cost sharing plan

General information about the pension plan

Plan description

Certain previous employees of the County are covered by the Pension System for Employees of the State of Maryland or the Employees' Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (MSRPS), and are cost-sharing multiple-employer public employee retirement systems. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 15-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the MSRPS. This report can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2016.pdf.

Benefits provided.

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

Contributions.

The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. There are currently no active members contributing. The County is required to contribute at an actuarially determined rate. Contributions to the plan from the County for the past three years were as follows:

<u>Fiscal Year Ending</u>	<u>Pension Cost</u>	<u>Percentage Funded</u>
6/30/2015	\$ 50,550	100%
6/30/2016	\$ 52,847	100%
6/30/2017	\$ 55,259	100%

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

Cost sharing plan (Continued)

General information about the pension plan (Continued)

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

At June 30, 2017, the County reported a liability of \$640,052 for its proportional share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2016, the County's proportion was 0.0027127%.

For the year ended June 30, 2017, the County recognized pension expense of \$122,067. At June 30, 2017, the County reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 123,702	\$ 35,280
Contributions subsequent to measurement date	55,259	
	<u>\$ 178,961</u>	<u>\$ 35,280</u>

The County's contribution subsequent to the measurement date of \$55,259, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

Cost sharing plan (Continued)

General information about the pension plan (Continued)

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

Deferred financing inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and the inflows related to non-investment activity are being amortized over the remaining service life of 5.8647, 5.87 and 5 years for the years ended June 30, 2016, 2015, and 2014, respectively. The net difference in investment earnings for 2016, 2015, and 2014 are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year ending June 30	Deferred Outflows	Deferred Inflows
2018	\$ 32,881	\$ 13,616
2019	32,799	13,616
2020	29,149	3,538
2021	17,505	3,265
2022	11,368	1,245
Total	<u>\$ 123,702</u>	<u>\$ 35,280</u>

Actuarial assumptions

The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2016 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.70% general, 3.20% wage
Salary increases	3.40% to 11.90%, including inflation
Investment rate of return	7.55%

Mortality rates were based on the RP-2014 Combined Healthy Mortality table projected to the year 2025.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

Cost sharing plan (Continued)

General information about the pension plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.55%) or 1-percentage point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Net Pension Liability	\$879,144	\$640,052	\$441,061

Pension plan fiduciary net position

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

Pension plans for the Board of Education of Wicomico County

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

**WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

PENSION AND RETIREMENT PLANS (Continued)

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

Teachers' Retirement System and the Teachers' Pension System

Plan description

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

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

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

General plan policies

Teachers and related occupations are covered by the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. The State of Maryland pays the unfunded liability for the Teachers' Systems. Total contributions paid by the State to the Plan for the year ended June 30, 2017 were \$12,408,217. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. The Board has no contingent liability for funding deficits in the system should such occur.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

General plan policies (Continued)

In addition to the above contribution, during fiscal year 2017, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, during fiscal year 2017, the Board contributed \$4,223,295, after an adjustment of \$319,849 in accordance with Chapter 5 of the Acts of 2017 (House Bill 1109), to the Teachers' Retirement and 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 and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

B. Vested Allowance

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Significant plan benefits and policies (Continued)

Teachers' Retirement System (Continued)

C. Employee and Employer Contributions

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

The State of Maryland contributed \$12,408,217 on behalf of the Board while the Board contributed \$4,223,295 during fiscal year 2017 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Teachers' Pension System

A. Retirement Benefits

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

B. Vested Allowance

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Significant plan benefits and policies (Continued)

Teachers' Pension System (Continued)

C. Employee and Employer Contributions

Effective July 1, 2011, members of the Teachers' Pension System are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2017. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

The State of Maryland contributed \$12,408,217 on behalf of the Board while the Board contributed \$4,223,295 during fiscal year 2017 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Employer's payroll covered under the plan

The employer's payroll for the year ended June 30, 2017 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 121,188,789
Payroll covered under the plan	\$ 100,247,573

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Pension liabilities and pension expense

Because the State of Maryland pays the unfunded liability for the Teachers' Retirement and Pension Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. Total pension expense related to the Teachers' Systems totaled \$4,223,295 for the year ended June 30, 2017, the Board's required portion of the normal cost.

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

	<u>2017</u>
Board's proportionate share of the net pension liability (Employees' Systems)	\$
State's proportionate share of the net pension liability (Teachers' Systems)	<u>144,047,412</u>
Total	<u><u>\$ 144,047,412</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was calculated as follows by the System(s):

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Pension liabilities and pension expense (Continued)

4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. Since the Board has no contingent liability for funding deficits in the Teachers' Retirement and Pension Systems, the Board did not record a proportionate share of the net pension liability as of June 30, 2017 related to the System.

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% including inflation
Investment Rate of Return	7.55%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Investments (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Total	<u>100%</u>	

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

General plan policies

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

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

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

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 54% equities, 10% cash and cash equivalents, and 36% fixed income securities on a cost basis valued at year end.

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

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Significant plan benefits and policies

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

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

Employer's payroll covered under the plan

The employee's payroll for the year ended June 30, 2017 and payroll covered under the Plan is as follows:

Total payroll	\$ 121,188,789
Payroll covered under the plans	\$ 10,146,618

Plan membership at July 1, 2016, the date of the latest actuarial valuation, consisted of 307 active plan members, 156 retirees and beneficiaries, and 17 vested terminees.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Pension liability and pension expense

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

	June 30, 2016	June 30, 2017
Total pension liability		
Service cost	\$ 854,284	\$ 772,678
Interest	1,898,022	1,850,305
Benefit payments	(1,502,818)	(1,456,131)
Change in assumption	(260,240)	
Experience (gain) loss	19,531	401,563
Net change in total pension liability	1,008,779	1,568,415
Total pension liability - beginning	25,227,992	26,236,771
Total pension liability - ending (a)	26,236,771	27,805,186
 Plan fiduciary net position		
Contribution - employer	753,562	759,739
Contribution - plan member	399,334	403,598
Net investment income	(400,584)	2,646,737
Benefit payments	(1,502,591)	(1,456,131)
Administrative expenses	(65,984)	(52,785)
Net change in plan fiduciary net position	(816,263)	2,301,158
Plan fiduciary net position - beginning	21,512,992	20,696,729
Plan fiduciary net position - ending (b)	20,696,729	22,997,887
 Net pension liability (a - b)	 \$ 5,540,042	 \$ 4,807,299

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Pension liability and pension expense (Continued)

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

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 615,285	\$ 705,355	\$ (90,070)	\$ 9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%
2017	578,971	759,739	(180,768)	10,146,618	7.49%

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

Deferred inflows/outflows of resources

At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to the retirement plan for employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$	\$ (185,886)
Net difference between projected and actual investment earnings on pension plan investments	1,231,213	(926,826)
Difference between actual and expected experience	348,424	
Total	<u>\$ 1,579,637</u>	<u>\$ (1,112,712)</u>

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 6 and 7 years for 2017 and 2016, respectively. The net difference in investment earnings is being amortized over a closed five year period. The following table shows the amortization of these balances:

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Deferred inflows/outflows of resources (Continued)

Year End June 30,	2017 BALANCE AMORTIZATION		2016 BALANCE AMORTIZATION		DEFERRED
	DEFERRED OUTFLOWS		DEFERRED OUTFLOWS		INFLOWS
	Net Difference in Investment Earnings	Actual and Expected Experience	Net Difference in Investment Earnings	Actual and Expected Experience	Change in Assumptions
2018	(231,707)	66,927	410,405	2,758	(37,177)
2019	(231,706)	66,927	410,404	2,758	(37,177)
2020	(231,707)	66,927	410,404	2,758	(37,177)
2021	(231,706)	66,927		2,757	(37,177)
2022		66,928		2,757	(37,178)
	<u>\$ (926,826)</u>	<u>\$ 334,636</u>	<u>\$ 1,231,213</u>	<u>\$ 13,788</u>	<u>\$ (185,886)</u>

Funding status and funding progress

As of the most recent actuarial valuation date, the plan was 78.9% funded. The total pension liability for benefits was \$27,805,186 and the plan fiduciary net position was \$22,997,887 resulting in a net pension liability of \$4,807,299. The covered payroll (annual payroll of active employees covered by the plan) was \$10,146,618 and the ratio of the net pension liability to the covered payroll was 47.4%.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Actuarial assumptions

Additional information as of the latest actuarial valuation follows:

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

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

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

Rate selected: 7.25%

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

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

Actuarial assumptions (Continued)

Based on the current Investment Policy and Funding Policy, the Plan is projected not to deplete; therefore, the same rate of 7.25% is used for both the discount rate and the long-term rate of expected returns. The projection of cash flow to determine the discount rate assumed the contributions from plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following represents the net pension liability of the Board calculated using the discount rate of 7.25%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$7,635,832	\$4,807,299	\$2,383,904

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.49%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change amounts actually invested.

401(a) retirement plan

Effective July 1, 2001, the Board implemented and began administering the Board of Education of Wicomico County 401(a) retirement plan which is a defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participant's contributions to the Board's 403(b) retirement plan. The Board has the right to amend the plan at any time according to the Plan document. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2017, the Board did not make a matching contribution to the plan.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

Pension plan for the employees of the Wicomico County Free Library

General information about the pension plan

Plan description

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

The retirement plans are administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 15-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the System. This report can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2016.pdf.

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

Benefits provided

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

Employees of the Library may retire with reduced benefits after attaining age 60 with at least 25 years of eligible service. Permanent disability benefits are available after five years of eligibility service and generally equal 1/55 (1.818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service.

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PENSION AND RETIREMENT PLANS (Continued)

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

Contributions

The State Personnel and Pensions Article requires active members to contribute to the State system at a percentage of their covered salary depending upon the retirement option selected.

The State funds substantially all the employer's annual contributions. On-behalf payments made by the State of Maryland for the year ending June 30, 2017 were \$213,241.

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

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

Actuarial assumptions

The actuarial assumptions for the Plan as a whole, based on the June 30, 2016 annual actuarial valuation report are as follows:

Inflation	2.7% general, 3.2% wage
Salary increases	3.3% to 9.2% including wage inflation
Investment rate of return	7.55%

Mortality rates were based on the RP-2014 Combined Healthy Mortality table projected to the year 2025.

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

Discount rate

The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

Pension plan fiduciary net position

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

DEFERRED COMPENSATION PLAN

The County offers certain employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The County matched 20% for calendar year 2016 contributions, which was \$99,242. This match was expensed during fiscal year ended June 30, 2017. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred amounts are invested in various annuity contracts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the deferred compensation plan participants. The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the statement of net position of the County.

DEATH BENEFITS

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

POST-RETIREMENT HEALTH CARE BENEFITS

Plan description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the "Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County" ("the trust"). Effective June 30, 2009, the City of Salisbury joined the trust. A Board of Trustees ("the Board") oversees the trust. The Plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the trust. The assets of the trust are managed by an investment manager, Croft-Leominster, Inc. under a formal investment policy. The Board meets quarterly to review investment performance. The Investment manager provides a fiscal year performance report to the Board. Questions regarding the performance should be directed to the plan Administrator.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS

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

The county provides post-retirement health care benefits as approved by the County Council to all retirees (and their dependents) who are eligible to retire under the County Pension System. The post-retirement health care benefit is also offered to certain County employees who retire under the State Retirement System, are at the age to receive Social Security benefits and have at least ten years of service with the County (public safety employees are eligible at age 60 with nine years of service). The post-retirement health care benefit is also offered to all employees who are eligible for post-retirement health care benefits even if they are not in a County or State pension system. The employee may retire and retain their health insurance coverage while paying the same percentage of contract cost as while employed which as of June 30, 2017 was 16% of employee cost and 25% of dependent coverage.

Funding policy

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

Since the implementation of GASB 45 the County has continued to pay current retiree medical payments from the General Fund and make contributions to the trust. Therefore, the trust will fund each year, to the extent appropriated, the Actuarially Required Contribution ("ARC"). The County contracted for an actuarial study that determined the ARC for fiscal year 2017 was \$3,461,356. The County contributed \$3,475,495 to the trust above the annual benefit paid to retirees.

Annual OPEB cost and net OPEB obligation (asset)

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

	2015	2016	2017
Annual Required Contribution	\$ 3,276,000	\$ 3,352,793	\$ 3,461,356
Interest on Net OPEB Obligation (Asset)	(20,137)	(125,459)	(277,501)
Adjustment to Annual Required Contribution	21,700	103,139	228,132
Annual OPEB Cost	3,277,563	3,330,473	3,411,987
Direct Cost and Contributions	(4,739,537)	(5,427,608)	(4,768,441)
Increase/(Decrease) in Net Obligation	(1,461,974)	(2,097,135)	(1,356,454)
Net OPEB Obligation (Asset), beginning of year	(268,494)	(1,730,468)	(3,827,603)
Net OPEB Obligation (Asset), end of year	\$ (1,730,468)	\$ (3,827,603)	\$ (5,184,057)

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Schedule of funding progress

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three years ending June 30, 2017 were as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Total Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)/Liability</u>
June 30, 2015	\$ 3,277,563	\$ 4,739,537	144.60%	\$ (1,730,468)
June 30, 2016	3,330,473	5,427,608	162.97%	(3,827,603)
June 30, 2017	3,411,987	4,768,441	139.76%	(5,184,057)

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

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

Plan description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the "Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County" ("the trust"). Effective June 29, 2009, the City of Salisbury was approved to join the trust. A Board of Trustees ("the Board") oversees the trust. Separate financial statements for the trust are not issued.

The Plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the trust. The assets of the trust are managed by an investment manager, Croft-Leominster, Inc. under a formal investment policy. The Board of Trustees meets quarterly to review investment performance.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Plan description (continued)

The Plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouses. Beginning in 2017, the Board funded 70% of the individual health care insurance costs for retirees who were hired prior to July 1, 2016 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. For employees hired on or after July 1, 2016, the Board funds 50% of the individual health care insurance costs for Unit 1, 3, and 4 retirees with 15-19 years of service; 60% of the individual health care insurance costs for Unit 1, 3, and 4 retirees with 20-24 years of service; and 70% of the individual health care insurance care costs for Units 1, 3, and 4 retirees with 25 or more years of service. The Board contributes 70% of the individual health care insurance costs for Unit 2 and Executive retirees with at least 10 years of service.

The Board previously funded 70% of the individual health care insurance costs for eligible retirees who were qualified to retire on or after July 17, 2007 and who had accumulated at least 10 years of service, and 55% of the individual health care insurance costs for eligible retirees who had accumulated at least 15 years of service with the Board prior to retirement (before July 17, 2007). Approximately 810 retirees who have worked for at least ten years are eligible to participate in the post-retirement benefit program.

Funding policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$4.15 million to the plan, including approximately \$3.35 million for current claim costs (approximately 70% of total premiums); an additional \$688 thousand to pre-fund benefits and an estimated retiree subsidy of \$118 thousand. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$205 per month for retirees-only coverage (if under 65), \$143 per month for retirees-only coverage (if 65 or older) and \$1,102 for retiree and spouse coverage. These monthly premium costs are for PPO coverage or EPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB cost and net OPEB obligation

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Annual OPEB cost and net OPEB obligation (continued)

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

Annual required contribution	\$ 5,055,895
Interest on net OPEB obligation	(168,668)
Adjustment to annual required contribution	<u>123,961</u>
Annual OPEB cost (expense)	5,011,188
Contributions made:	
Premium equivalency & retiree subsidy payments from General Fund	(3,464,108)
Prefunding contribution	<u>(688,182)</u>
Total contributions made	<u>(4,152,290)</u>
Net change in OPEB obligation (asset)	858,898
Net OPEB obligation (asset) - beginning of year	<u>(2,326,455)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (1,467,557)</u></u>

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

Year Ended June 30,	Annual OPEB Cost	Total Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)/Liability
2015	\$ 4,165,416	\$ 3,886,108	93.29%	\$ (1,850,394)
2016	4,816,947	5,293,008	109.88%	(2,326,455)
2017	5,011,188	4,152,290	82.86%	(1,467,557)

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Funding status and funding progress

As of July 2016, the most recent actuarial valuation date, the plan was 23.5% funded. The actuarial accrued liability for benefits was \$69,932,401 and the actuarial value of assets was \$16,461,774 resulting in an unfunded actuarial accrued liability (UAAL) of \$53,470,627. The covered payroll (annual payroll of active employees covered by the plan) was \$111,445,147 and the ratio of UAAL to the covered payroll was 48.0%.

The Board's funding progress is summarized as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/14	\$ 14,332,500	\$ 62,766,537	\$ 48,434,037	22.83%	\$ 107,382,505	45.10%
07/01/15	14,942,800	67,456,435	52,513,635	22.15%	109,468,198	47.97%
07/01/16	16,461,774	69,932,401	53,470,627	23.54%	111,445,147	47.98%

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

Actuarial methods and assumptions

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Actuarial methods and assumptions (continued)

In the July 2016 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 6% initially, reduced by decrements to an ultimate rate of 5% after one year. Implicit in the investment return, salary scale and trend rate assumption is an underlying general rate of inflation assumption of 2.5%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2016 was 30 years.

Additional information as of the latest actuarial valuation follows:

Actuarial	Projected Unit Credit method
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Age banded values ranging from 2.5% to 5.5%
Investment Rate of Return	7.25%
Retirement Age	Graded from ages 55-64; 100% at age 65
Medical Trend	Annual healthcare cost trend of 6%, grading Down 1% per year to an ultimate rate of 5%.
Mortality	RP-2000 with generational mortality Improvement using scale AA and a three year set forward.
Premium Equivalence	Current pre-Medicare cost equivalent rates are adjusted by age adjusting rates based on the Society of Actuaries' 2013 study "Health Care Costs – From Birth to Death." Medicare supplement rates are assumed to be aged adjusted.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

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

Actuarial methods and assumptions (continued)

Retirement Age	Age at the beginning of year	Retirement Rate	Probability of Electing Coverage
	55	20%	50%
	56 – 61	10%	50%
	62	40%	50%
	63 – 64	20%	50%
	65	100%	50%

Investments

The long-term expected rate of return on retiree health plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the Board's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Expected Future Returns	Building Blocks Range of Expected Returns
Fixed Income	30% - 40%	3.00% - 4.00%	0.90% - 1.60%
Equities	50% - 60%	8.00% - 10.00%	4.00% - 6.00%
Other	0% - 10%	0.00% - 1.00%	0.00% - 0.10%
			4.90% - 7.70%

Rate selected: 7.25%

The annual money-weighted rate of return on retiree health plan investments, net of investment expenses, was 13.38%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change in amounts actually invested.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Wicomico County Free Library

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

LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County retained an engineering consulting firm to perform physical measurements on the existing open cells (cells 1 through 6) to determine current volumetric capacity remaining, construct engineering cost estimates for closure and post-closure maintenance of these cells, and estimate the future life expectancy of these cells. The table below identifies the current estimates of costs and service life and shows the computation of the annual accrual of liability for fiscal year 2017.

Closure cost	\$ 5,901,046
Post-closure cost	<u>5,853,885</u>
Total estimated future cost	11,754,931
Accrued closure/post-closure cost as of June 30, 2016	<u>(8,812,214)</u>
Additional costs to be recognized over remaining life	2,942,717
Disposal life in years remaining as of July 1, 2016	<u>5</u>
Provision for closure/post-closure costs	<u>\$ 588,543</u>

The disposal life assumes an historic average fill rate of 100,000 tons per year filling to the maximum permit height, with volumetric capacity based on current slope gradients. Additional capacity can be created if the side-slopes are regarded and/or new compaction/shredding technology is introduced. Cost estimates are based on current regulations and technology. In addition to having a general obligation bond rating of AA/Aa2/AA+ from Fitch, Moody's and Standard & Poor's credit rating services, the County has approximately \$21,413,027 of currently available cash which may be used for landfill closure and post closure costs.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

OPERATING LEASES

The County is committed under a non-cancelable operating lease for the right to use the leased property (Clara Road Investments, Inc.) as a site for the disposal of dredge spoil produced by the dredging of the Wicomico River. The lease was established in July 2006 and modified in January 2012 to extend lease payments through the duration of the performance period and add a rent escalator clause based on the consumer price index as of December 15 of each year. The fiscal year 2017 payment was \$29,193. Subsequent fiscal year payments will be the \$29,193 escalated by the CPI-U rate as of December 15 of that fiscal year. The performance period is currently estimated to be through fiscal year 2018 when the dredge placement will have been completed and the site restored in accordance with the lease agreement.

NURSING HOME

The County owns and operates a 102-bed licensed nursing home in Salisbury. The facility is staffed by 119 full-time and part-time personnel. The occupancy rate was 83.85% for fiscal year 2017. The primary third-party reimbursement is from Medicaid. The County approved an operating budget of \$9,527,965 for fiscal year 2017. The County also approved a capital budget for fiscal year 2017 of \$119,650. The nursing home is self-supporting and receives no appropriation of County funds.

COMMITMENTS AND CONTINGENCIES

Wicomico County, Maryland

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

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

The Wicomico County Urban Services Commission continues to abide by an expired contract with the City of Salisbury to purchase water and sewer supplied to a district. The Wicomico County Urban Services Commission is required to charge this district 150% of the City's current rate and remit 80% of the billings to the City. Total collections for the year ended June 30, 2017 were \$470,949.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

COMMITMENTS AND CONTINGENCIES (Continued)

Wicomico County, Maryland (Continued)

The Wicomico County Urban Services Commission also purchased services from the Town of Delmar for two other districts. Total collections for the districts for 2017 were \$41,715.

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

The Office of the Attorney General, Department of the Environment issued a letter to the County on March 27, 2014 that raises the possibility of a Consent Agreement that would require the County to pay a civil penalty to resolve past and ongoing violations at the Solid Waste Landfill Facility. The County Executive and management met with the Maryland Department of Environment (MDE) and the fine was reduced from \$220,000 to \$45,000. The County offered to do a project in lieu of paying the fine. The project is awaiting completion. The matter should be settled in fiscal year 2018.

Wicomico Nursing Home

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

COMMITMENTS AND CONTINGENCIES (Continued)

The Board of Education of Wicomico County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has signed contracts for the construction of West Salisbury Elementary School in the amount of \$24,179,100. At June 30, 2017, \$7,065,514 had been expended on the construction of West Salisbury Elementary School related to these contracts.

The Board receives a substantial amount of its support from Federal, State, and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

The Wicomico County Free Library

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

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

RISK MANAGEMENT

Wicomico County, Maryland

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

RISK MANAGEMENT (Continued)

Wicomico Nursing Home

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

The Board of Education of Wicomico County

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

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

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

RISK MANAGEMENT (Continued)

The Wicomico County Free Library

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

As of June 30 of each year, expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Library anticipates no additional liabilities for potential claims against the Library as of June 30, 2017. Therefore, the Statement of Net Position contains no provision for, and it also does not present, estimated claims.

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

CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities and equipment deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues to be received in connection with the financing and from any other monies made available to the user for such purposes. Upon repayment of the bonds, ownership of the acquired facilities and equipment transfers to the private sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, neither conduit debt nor the related asset is reported. There were no conduit debt obligations outstanding as of June 30, 2017.

TAX ABATEMENTS

Wicomico County provides tax abatements under several categories of properties that are deemed tax exempt. These properties include governments, universities, properties owned by disabled veterans (DAV) and blind persons, churches, hospitals, properties damaged by fire, storm, etc., and properties that become exempt due to sale. Other tax abatements result from protested assessments and acreage corrections. All tax abatements are based on information sent to the County from the State Assessment Office and the County makes the adjustment accordingly. Each category has to meet certain requirements in order to qualify for the tax exemption.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

TAX ABATEMENTS (Continued)

Government, university, disabled veteran, blind person, church, and hospital properties are considered tax exempt through the Annotated Code of Maryland. Nevertheless, each entity still has to go through an application process in order to formally achieve tax-exempt status from the state assessment office and to receive tax abatements.

Taxpayers whose properties are damaged by fire, storm, etc. and considered inhabitable or are demolished after being considered condemned, could possibly receive a decrease in assessment but have to notify the state assessment office to approve the abatement. If a property is sold to an exempt entity, the property is changed to exempt-tax status and the tax abatement will begin once the exempt entity begins ownership of the purchased property.

Taxpayers who protest the amount of their property assessment could also be granted an abatement but once again they have to go through the notification process with the state assessment office. Regarding acreage corrections, a taxpayer may own property in which the entire acreage is not tax exempt but may gain exemption on a certain portion of the property such as the acreage where the home site is located but has to notify the state assessment office.

The County's property tax revenues were reduced by \$77,089 under agreements entered into by the State.

SUBSEQUENT EVENTS

Subsequent to the issuance of these financial statements, Legislative Bill 2016-06, Amendment 1 amending the 2017 budget will be effective. The budget reported within these statements in the supplementary information does not reflect this Legislative Bill as it was not effective at the issuance of the financial statements.

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PRIOR PERIOD ADJUSTMENTS

Fund balances at June 30, 2016 have been restated for the governmental funds as follows:

	General Fund	Grants Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund balances at June 30, 2016 as previously reported	\$ 57,952,429	\$ 1,125,321	\$ 35,498,623	\$ 1,651,690	\$ 96,228,063
Correction of fixed assets			(40,487)		(40,487)
Other adjustments	10			1	11
Fund balances at June 30, 2016 as restated	<u>\$ 57,952,439</u>	<u>\$ 1,125,321</u>	<u>\$ 35,458,136</u>	<u>\$ 1,651,691</u>	<u>\$ 96,187,587</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PRIOR PERIOD ADJUSTMENTS (Continued)

Net position at June 30, 2016 has been restated for the enterprise funds as follows:

	Solid Waste	Airport	Nursing Home	Urban Services	Youth & Civic Center	Convention & Visitors Bureau & Other Funds	Total Enterprise Funds
Net position at June 30, 2016 as previously reported	\$ 15,599,989	\$ 45,874,811	\$ 3,313,827	\$ 5,888,478	\$ 10,731,065	\$ 2,074,903	\$ 83,483,073
Other adjustments		(1)			61	(1)	59
Net position at June 30, 2016 as restated	<u>\$ 15,599,989</u>	<u>\$ 45,874,810</u>	<u>\$ 3,313,827</u>	<u>\$ 5,888,478</u>	<u>\$ 10,731,126</u>	<u>\$ 2,074,902</u>	<u>\$ 83,483,132</u>

WICOMICO COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

PRIOR PERIOD ADJUSTMENTS (Continued)

Total net position at June 30, 2016 have been restated for the governmental and business-type activities in the government-wide financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at June 30, 2016 as previously reported	\$ 57,946,063	\$ 83,483,073
Net changes to governmental funds (on page 108)	(40,476)	
Net changes to enterprise funds (on page 109)		59
Correction to capital assets	<u>195,292</u>	<u> </u>
Net position at June 30, 2016 as restated	<u><u>\$ 58,100,879</u></u>	<u><u>\$ 83,483,132</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 62,647,428	\$ 62,647,428	\$ 63,377,661	\$ 730,233
Income taxes	46,022,556	46,022,556	50,749,316	4,726,760
Other taxes	3,991,100	3,991,100	4,545,552	554,452
Licenses and permits	1,237,989	1,237,989	1,402,495	164,506
Intergovernmental	10,649,589	10,649,589	10,541,870	(107,719)
Charges for services	3,965,500	4,123,671	4,628,002	504,331
Fines and forfeitures	33,015	33,015	25,293	(7,722)
Miscellaneous	406,216	445,424	839,615	394,191
Investment earnings	40,713	40,713	569,052	528,339
Total revenues	<u>128,994,106</u>	<u>129,191,485</u>	<u>136,678,856</u>	<u>7,487,371</u>
EXPENDITURES				
General government				
Legislative/council	<u>786,549</u>	<u>786,549</u>	<u>638,527</u>	<u>148,022</u>
Administrative/executive	<u>666,033</u>	<u>673,533</u>	<u>567,089</u>	<u>106,444</u>
Judicial				
Circuit Court	1,629,270	1,708,941	1,364,861	344,080
Orphans' Court	98,842	98,842	95,664	3,178
State's Attorney	3,612,582	3,690,577	3,452,086	238,491
Total judicial	<u>5,340,694</u>	<u>5,498,360</u>	<u>4,912,611</u>	<u>585,749</u>
Elections	<u>1,107,599</u>	<u>1,202,446</u>	<u>1,177,012</u>	<u>25,434</u>
Management information systems	<u>1,000,600</u>	<u>1,004,039</u>	<u>869,331</u>	<u>134,708</u>
Purchasing	<u>291,939</u>	<u>282,929</u>	<u>242,666</u>	<u>40,263</u>
Financial administration				
Finance	1,470,656	1,472,080	1,415,209	56,871
Public accountant	98,400	98,400	92,300	6,100
Total financial administration	<u>1,569,056</u>	<u>1,570,480</u>	<u>1,507,509</u>	<u>62,971</u>
Human resources	<u>623,982</u>	<u>623,982</u>	<u>597,618</u>	<u>26,364</u>
Legal	<u>336,005</u>	<u>343,896</u>	<u>320,464</u>	<u>23,432</u>

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)	<u>Original</u>	<u>Final</u>		
General government (continued)				
Community promotion	175,818	175,818	169,860	5,958
Planning and zoning	1,840,357	1,845,227	1,750,804	94,423
General services	1,250,880	1,570,218	1,359,056	211,162
Total general government	14,989,512	15,577,477	14,112,547	1,464,930
Public safety				
Sheriff's Department	12,016,473	12,174,644	12,058,492	116,152
Emergency Services	2,587,773	2,587,813	2,403,673	184,140
Fire Department	4,451,645	4,451,645	4,396,266	55,379
Liquor License Board	280,785	280,785	273,151	7,634
Protection of Animals	333,208	333,208	333,208	
Total public safety	19,669,884	19,828,095	19,464,790	363,305
Detention Center	15,899,600	15,993,832	15,304,173	689,659
Public works				
Roads	9,103,390	10,233,080	9,489,825	743,255
Supervision	533,898	533,898	433,426	100,472
Sanitation, water, and sewer	105,304	105,304	105,304	
Tri-County Council/Shore Transit	445,809	445,809	445,809	
Total public works	10,188,401	11,318,091	10,474,364	843,727
Health and welfare				
Public health	3,549,132	3,653,532	3,564,472	89,060
Mosquito control	258,182	270,664	271,640	(976)
Gypsy Moth control	3,000	3,000	3,000	
Total health and welfare	3,810,314	3,927,196	3,839,112	88,084
Social services	313,663	313,663	313,663	
Education				
Board of Education	41,933,294	41,933,294	41,933,294	
Wicomico County Free Library	1,414,295	1,414,295	1,339,982	74,313
Community College - grant	4,320,251	5,010,051	5,010,051	
Extension Service	103,272	106,072	103,052	3,020
Total education	47,771,112	48,463,712	48,386,379	77,333

WICOMICO COUNTY, MARYLAND
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Budgeted Amounts		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)	<u>Original</u>	<u>Final</u>		
Economic development	144,100	144,100	149,914	(5,814)
Miscellaneous				
Grants and mandates	493,014	493,014	456,888	36,126
Provision for compensated absences			23,945	(23,945)
Hospitalization, disability and life	460,667	460,667	205,634	255,033
Unemployment compensation	2,175	2,175	1,450	725
Liability and arbitrage insurance	674,000	674,000	533,983	140,017
Auto sinking				
Other fringes	50,647	50,647	49,832	815
Total miscellaneous	1,680,503	1,680,503	1,271,732	408,771
Debt service				
Principal	8,883,036	8,883,036	9,674,241	(791,205)
Interest	3,921,459	3,921,459	4,272,204	(350,745)
Agent fees	50,000	50,000	30,640	19,360
Total debt service	12,854,495	12,854,495	13,977,085	(1,122,590)
Total expenditures	127,321,584	130,101,164	127,293,759	2,807,405
Excess (deficiency) of revenues over (under) expenditures	1,672,522	(909,679)	9,385,097	10,294,776
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,632,705)	(6,651,450)	(6,673,070)	(21,620)
Appropriations of fund equity	5,981,594	7,583,860		(7,583,860)
Other uses	(1,021,411)	(22,731)		22,731
Total other financing uses	(1,672,522)	909,679	(6,673,070)	(7,582,749)
Net change in fund balances	\$	\$	\$ 2,712,027	\$ 2,712,027

WICOMICO COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN

(UNAUDITED)

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 5,118,475	\$ 26,447,400	\$ 21,328,925	19.35%	\$ 32,722,462	65.18%
7/1/2009	5,969,103	27,088,329	21,119,226	22.04%	29,999,269	70.40%
7/1/2010	7,264,824	29,012,511	21,747,687	25.04%	28,707,791	75.76%
7/1/2011	7,168,320	30,556,661	23,388,341	23.46%	28,101,831	83.23%
7/1/2012	9,933,143	32,765,898	22,832,755	30.32%	28,438,179	80.29%
7/1/2013	13,397,560	31,362,632	17,965,072	42.72%	29,451,654	61.00%
7/1/2014	16,053,085	35,105,877	19,052,792	45.73%	29,755,794	64.03%
7/1/2015	19,130,627	40,466,377	21,335,750	47.28%	30,928,411	68.98%
7/1/2016	25,395,153	43,209,555	17,814,402	58.77%	30,936,965	57.58%

Schedule of Employer Contributions

Year Ended June,	Employer Contributions	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual Required Contribution Contributed	Percentage of Annual OPEB Cost Contributed
2008	\$ 3,180,706	\$ 2,067,000	\$ 2,067,000	153.88%	153.88%
2009	2,262,986	1,882,000	1,924,641	120.24%	117.58%
2010	1,127,185	1,935,000	1,991,039	58.25%	56.61%
2011	1,107,882	2,056,000	2,059,285	53.89%	53.80%
2012	1,636,969	2,645,000	2,642,940	61.89%	61.94%
2013	3,646,439	2,871,000	2,863,188	127.01%	127.36%
2014	3,734,064	2,883,000	2,879,644	129.52%	129.67%
2015	4,739,537	3,276,000	3,277,563	144.67%	144.61%
2016	5,427,608	3,352,793	3,330,473	161.88%	162.97%
2017	4,768,441	3,461,356	3,411,987	137.76%	139.76%

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

	2017	2016	2015
Total pension liability			
Service Cost	\$ 3,142,991	\$ 2,350,796	\$ 2,377,128
Interest	5,239,627	5,234,877	4,863,156
Liability experience loss	(1,455,159)	(10,433)	
Assumption changes		824,020	966,617
Benefit payments	(3,792,137)	(3,558,505)	(3,328,886)
Net change in total pension liability	3,135,322	4,840,755	4,878,015
Total pension liability - beginning	74,133,607	69,292,852	56,034,679
Total pension liability adjustment			8,380,158
Total pension liability - ending	<u>\$ 77,268,929</u>	<u>\$ 74,133,607</u>	<u>\$ 69,292,852</u>
Plan fiduciary net pension			
Contributions-county	\$ 2,009,396	\$ 1,417,367	\$ 3,415,534
Contributions-member	1,683,482	1,672,651	1,637,983
Net investment income	8,144,126	(1,302,566)	77,598
Benefit payments and refunds of employee contributions	(3,792,137)	(3,558,505)	(3,328,886)
Administrative expense	(71,309)	(73,675)	(63,453)
Net change in plan fiduciary net position	7,973,558	(1,844,728)	1,738,776
Plan fiduciary net position - beginning	60,851,904	62,696,632	60,957,856
Plan fiduciary net position - ending	68,825,462	60,851,904	62,696,632
Plan's net pension liability (asset) - ending	<u>\$ 8,443,467</u>	<u>\$ 13,281,703</u>	<u>\$ 6,596,220</u>
 Plan fiduciary net position as a percentage of the total pension liability	 89.07%	 82.08%	 90.48%
Covered-employee payroll	\$ 27,311,213	\$ 27,475,905	\$ 27,339,769
Net pension liability (asset) as a percentage of covered-employee payroll	30.92%	48.34%	24.13%

Notes to Schedule:

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

Schedules are intended to provide 10-year trend information.

Additional years will be displayed as available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 1,517,276	\$ 882,674	\$ 1,909,665	\$ 1,827,436	\$ 1,934,838	\$ 1,704,075	\$ 1,397,479	\$ 1,394,641	\$ 2,076,253	\$ 1,924,914
Contributions in relation to the actuarially determined contribution	<u>2,009,396</u>	<u>1,417,367</u>	<u>3,415,534</u>	<u>4,145,167</u>	<u>2,245,945</u>	<u>1,603,309</u>	<u>197,203</u>	<u>121,835</u>	<u>3,419,357</u>	<u>3,628,935</u>
Contribution deficiency (excess)	<u>\$ (492,120)</u>	<u>\$ (534,693)</u>	<u>\$ (1,505,869)</u>	<u>\$ (2,317,731)</u>	<u>\$ (311,107)</u>	<u>\$ 100,766</u>	<u>\$ 1,200,276</u>	<u>\$ 1,272,806</u>	<u>\$ (1,343,104)</u>	<u>\$ (1,704,021)</u>
Covered-employee payroll	\$ 27,311,213	\$ 27,475,905	\$ 27,339,769	\$ 27,309,515	\$ 25,807,422	\$ 24,219,224	\$ 22,711,862	\$ 24,986,183	\$ 26,460,911	\$ 24,662,097
Contributions as a percentage of covered-employee payroll	7.36%	5.16%	12.49%	15.18%	8.70%	6.62%	0.87%	0.49%	12.92%	14.71%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal projected unit credit
Amortization method	Level dollar
Remaining amortization period	21/20 years
Asset valuation method	Actual value
Inflation	N/A
Salary increases	2.50%
Investment rate of return	7.25%, net of pension plan investment expense
Retirement age	It is presumed that most employees work until age 65.
Mortality	The RP-2000 Mortality Table (gender specific)

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

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

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

Notes to Schedule:

In fiscal year 2015 and effective July 1, 2014, the County amended the plan to provide accidental disability benefits to employees of the Sherriff's department increasing the actuarially determined contribution to \$919,120.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0027127%	0.0023983%	0.0020750%
County's proportional share of the net pension liability	\$ 640,052	\$ 498,411	\$ 368,298
County's covered-employee payroll (1)	\$ N/A	\$ N/A	\$ N/A
County's proportional share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
The total pension liability as a percentage of plan fiduciary net position	65.79%	68.78%	69.53%

(1) There are currently no active employees enrolled in this pension plan. The contractually required contribution is based on an amortization set up when the County was active in this plan.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 55,259	\$ 52,847	\$ 50,550
Contributions in relation to the contractually required contribution	<u>55,259</u>	<u>52,847</u>	<u>50,550</u>
Contribution deficiency (asset)	<u>\$</u>	<u>\$</u>	<u>\$</u>
County's covered-employee payroll (1)	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

(1) There are currently no active employees enrolled in this pension plan. The contractually required contribution is based on an amortization set up when the County was active in this plan.

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

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

(UNAUDITED)

Schedule of Funding Progress:

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ 3,209,000	\$ 48,341,000	\$ 45,132,000	6.64%	\$ 109,000,000	41.41%
7/1/2010	5,251,300	45,458,666	40,207,366	11.55%	101,419,000	39.64%
7/1/2011	8,153,600	50,520,033	42,366,433	16.14%	98,246,000	43.12%
7/1/2012	9,671,300	53,619,644	43,948,344	18.04%	103,261,000	42.56%
7/1/2013	11,738,600	57,720,548	45,981,948	20.34%	104,796,000	43.88%
7/1/2014	14,332,500	62,766,537	48,434,037	22.83%	107,382,505	45.10%
7/1/2015	14,942,800	67,456,435	52,513,635	22.15%	109,468,198	47.97%
7/1/2016	16,461,774	69,932,401	53,470,627	23.54%	111,445,147	47.98%

Schedule of Employer Contributions:

Year Ended June 30,	Employer Contributions	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual Required Contribution Contributed	Percentage of Annual OPEB Cost Contributed
2011	\$ 4,354,000	\$ 3,591,082	\$ 3,598,819	121.24%	120.98%
2012	4,279,100	3,915,824	3,927,822	109.28%	108.94%
2013	3,984,000	4,129,061	4,143,013	96.49%	96.16%
2014	3,888,000	4,049,511	4,062,589	96.01%	95.70%
2015	3,886,108	4,153,343	4,165,416	93.57%	93.29%
2016	5,293,008	4,860,856	4,816,947	108.89%	109.88%

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

	2017	2016	2015
Board's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
Board's proportionate share of the net pension liability	\$	\$	\$
State's proportionate share of the net pension liability	<u>144,047,412</u>	<u>119,020,880</u>	<u>87,166,955</u>
Total	<u>\$ 144,047,412</u>	<u>\$ 119,020,880</u>	<u>\$ 87,166,955</u>
Board's covered-employee payroll	\$ 98,572,456	\$ 95,262,765	\$ 93,558,675
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.32%	0.26%	0.19%

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

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

	2017	2016	2015
Contractually required contributions	\$ 4,223,295	\$ 4,052,348	\$ 3,524,616
Contributions in relation to the contractually required contribution	<u>4,223,295</u>	<u>4,052,348</u>	<u>3,524,616</u>
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>
Board's covered-employee payroll	\$ 100,247,573	\$ 98,572,456	\$ 95,262,765
Contributions as a percentage of covered-employee payroll	4.21%	4.11%	3.70%

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

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

Schedule of Changes in Employer's Net Pension Liability:

	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability			
Service cost	772,678	854,284	842,490
Interest	1,850,305	1,898,022	1,849,338
Benefit payments	(1,456,131)	(1,502,818)	(1,250,672)
Change in assumption		(260,240)	
Experience (gain) loss	401,563	19,531	
Net change in total pension liability	1,568,415	1,008,779	1,441,156
Total pension liability - beginning	26,236,771	25,227,992	23,786,836
Total pension liability - ending (a)	27,805,186	26,236,771	25,227,992
Plan fiduciary net position			
Contribution - employer	759,739	753,562	722,205
Contribution - plan member	403,598	399,334	381,911
Net investment income	2,646,737	(400,584)	178,057
Benefit payments	(1,456,131)	(1,502,591)	(1,250,672)
Administrative expenses	(52,785)	(65,984)	(138,986)
Net change in plan fiduciary net position	2,301,158	(816,263)	(107,485)
Plan fiduciary net position - beginning	20,696,729	21,512,992	21,620,477
Plan fiduciary net position - ending (b)	22,997,887	20,696,729	21,512,992
Net pension liability (a - b)	4,807,299	5,540,042	3,715,000

Schedule of Employer's Net Pension Liability:

Actuarial	Total Pension	Plan Net	Net Pension	Plan Net Position	Covered	Net Pension
Valuation Date	Liability	Position	Liability	as a % of	Payroll	Liability
				Total Pension		as a % of
				Liability		Covered Payroll
June 30, 2014	\$ 23,786,836	\$ 21,620,477	\$ 2,166,359	90.89%	9,186,822	23.58%
June 30, 2015	25,227,992	21,512,992	3,715,000	85.27%	9,616,697	38.63%
June 30, 2016	26,236,771	20,696,729	5,540,042	78.88%	10,005,366	55.37%
June 30, 2017	27,805,186	22,997,887	4,807,299	82.71%	10,146,618	47.38%

Schedule of Employer Contributions:

Year Ended	Actuarially	Actual	Contribution	Covered	Actual
June 30,	Determined	Contribution	Deficiency	Payroll	Contribution
	Contribution		(Excess)		as a % of
					Covered Payroll
2014	615,285	705,355	(90,070)	9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%
2017	578,971	759,739	(180,768)	10,146,618	7.49%

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

SUPPLEMENTARY INFORMATION

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Real and personal property taxes			
Real property	\$ 54,546,917	\$ 54,881,402	\$ 334,485
Railroads and public utilities	3,230,258	3,580,184	349,926
Ordinary business corporations	5,084,221	4,737,449	(346,772)
Subtotal real and personal property taxes	62,861,396	63,199,035	337,639
Interest and fees on delinquent taxes	457,709	521,489	63,780
Subtotal real and personal property taxes after interest and fees on delinquent taxes	63,319,105	63,720,524	401,419
Net additions and abatements	(87,177)	(48,943)	38,234
Tax credits	500	(156,039)	(156,539)
Deferred and uncollected taxes	(175,000)	277,294	452,294
Discounts allowed	(410,000)	(415,175)	(5,175)
Total real and personal property taxes	62,647,428	63,377,661	730,233
Income taxes	46,022,556	50,749,316	4,726,760
Other taxes			
Admission and amusement	100,000	177,480	77,480
Recordation tax	3,012,805	3,478,001	465,196
911 telephone surcharge tax	538,295	549,045	10,750
Trailer park	340,000	341,026	1,026
Total other taxes	3,991,100	4,545,552	554,452
Total taxes	112,661,084	118,672,529	6,011,445
Licenses and permits			
Alcoholic beverages	170,300	172,964	2,664
Amusement	5,224	4,227	(997)
Traders	62,198	67,113	4,915
Building, equipment, and electrical	162,000	194,032	32,032
Marriage	23,758	24,855	1,097
Cable TV franchise	808,658	907,888	99,230
Other	5,851	31,416	25,565
Total licenses and permits	1,237,989	1,402,495	164,506

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental			
Operating grants and contributions			
Disparity grant	7,925,526	7,644,859	(280,667)
Teacher retirement supplementary grant	1,567,837	1,567,837	
Health	62,055	47,880	(14,175)
Public safety - detention center	91,703	106,987	15,284
Public safety - police	259,186	416,993	157,807
Charges for services and fees			
General government - circuit courts	117,720	97,611	(20,109)
Health	603,456	604,724	1,268
Payments in lieu of taxes	22,106	48,556	26,450
Miscellaneous		6,423	6,423
Total intergovernmental	<u>10,649,589</u>	<u>10,541,870</u>	<u>(107,719)</u>
Charges for services			
Bay Restoration - administrative fee	21,000	19,232	(1,768)
City of Salisbury - share of building expenses	236,500	91,200	(145,300)
City of Salisbury - share of MIS	3,000		(3,000)
City of Salisbury - share of planning & zoning	160,287	163,587	3,300
Detention Center - local charges	115,100	105,369	(9,731)
Detention Center - reimbursement for inmates expenses, federal and state per diem	131,760	117,990	(13,770)
Detention Center - reimbursement for inmates expenses, enterprise funds	20,000	34,259	14,259
Fire safety fees	170,000	140,920	(29,080)
Forest Conservation service charges	2,000	12,129	10,129
Health - mosquito control fees	127,000	119,459	(7,541)
Miscellaneous fees, rentals, and sales	106,438	115,640	9,202
Public works subdivision review fees	10,350	9,800	(550)
Public works and roads fees	1,178,152	1,837,157	659,005
Room tax - administrative fee	17,000	23,581	6,581
Sheriff's fees	639,943	616,989	(22,954)
Sheriff's services - Board of Education	619,603	639,025	19,422
Specialty taxes - administrative fee	6,100		(6,100)
Enterprise funds - administrative fee	56,088	56,088	
Wicomico County Liquor Control Board fee	500,000	520,000	20,000
Zoning and subdivision fees	3,350	5,577	2,227
Total charges for services	<u>4,123,671</u>	<u>4,628,002</u>	<u>504,331</u>

WICOMICO COUNTY, MARYLAND
REVENUE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fines and forfeitures	<u>33,015</u>	<u>25,293</u>	<u>(7,722)</u>
Miscellaneous	<u>445,424</u>	<u>839,615</u>	<u>394,191</u>
Investment earnings	<u>40,713</u>	<u>569,052</u>	<u>528,339</u>
Total revenues	<u><u>\$ 129,191,485</u></u>	<u><u>\$ 136,678,856</u></u>	<u><u>\$ 7,487,371</u></u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Legislative/council			
Salaries - County Council	\$ 115,000	\$ 115,000	\$
Salaries - general	208,263	222,951	(14,688)
Operating expenditures	463,286	300,576	162,710
Total legislative/council	<u>786,549</u>	<u>638,527</u>	<u>148,022</u>
Administrative/executive			
Salaries - elected office	85,000	85,000	
Salaries - general	252,556	237,603	14,953
Operating expenditures	335,977	244,486	91,491
Total administrative/executive	<u>673,533</u>	<u>567,089</u>	<u>106,444</u>
Judicial			
Circuit Court			
Salaries - general	774,898	677,751	97,147
Operating expenditures	854,372	652,771	201,601
Capital outlay	79,671	34,339	45,332
Total Circuit Court	<u>1,708,941</u>	<u>1,364,861</u>	<u>344,080</u>
Orphans' Court			
Salaries - general	33,180	33,180	
Operating expenditures	65,662	62,484	3,178
Total Orphans' Court	<u>98,842</u>	<u>95,664</u>	<u>3,178</u>
State's Attorney			
Salaries - elected office	122,850	122,850	
Salaries - general	2,208,243	2,003,562	204,681
Operating expenditures	1,248,721	1,226,513	22,208
Capital outlay	110,763	99,161	11,602
Total State's Attorney	<u>3,690,577</u>	<u>3,452,086</u>	<u>238,491</u>
Total judicial	<u>5,498,360</u>	<u>4,912,611</u>	<u>585,749</u>
Elections			
Salaries - general	510,754	511,348	(594)
Operating expenditures	691,692	665,664	26,028
Total elections	<u>1,202,446</u>	<u>1,177,012</u>	<u>25,434</u>
Management information systems			
Salaries - general	431,171	423,611	7,560
Operating expenditures	434,806	373,400	61,406
Capital outlay	138,062	72,320	65,742
Total management information systems	<u>1,004,039</u>	<u>869,331</u>	<u>134,708</u>
Purchasing			
Salaries - general	137,482	121,371	16,111
Operating expenditures	145,447	121,295	24,152
Total purchasing	<u>282,929</u>	<u>242,666</u>	<u>40,263</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government (continued)			
Financial administration			
Finance			
Salaries - general	714,732	690,183	24,549
Operating expenditures	757,348	725,026	32,322
Total finance	<u>1,472,080</u>	<u>1,415,209</u>	<u>56,871</u>
Public accountant			
Auditors' services	98,400	92,300	6,100
Total financial administration	<u>1,570,480</u>	<u>1,507,509</u>	<u>62,971</u>
Human resources			
Salaries - general	324,991	328,362	(3,371)
Operating expenditures	298,991	269,256	29,735
Total human resources	<u>623,982</u>	<u>597,618</u>	<u>26,364</u>
Legal			
Operating expenditures	343,896	320,464	23,432
Total legal	<u>343,896</u>	<u>320,464</u>	<u>23,432</u>
Community promotion			
Community access channel	110,818	110,818	
Operating expenditures	65,000	59,042	5,958
Total community promotion	<u>175,818</u>	<u>169,860</u>	<u>5,958</u>
Planning and zoning			
Salaries	1,088,038	1,021,726	66,312
Operating expenditures	751,288	723,177	28,111
Capital outlay	5,901	5,901	
Total planning and zoning	<u>1,845,227</u>	<u>1,750,804</u>	<u>94,423</u>
General services			
Salaries	211,303	196,469	14,834
Operating expenditures	981,339	842,472	138,867
Capital outlay	377,576	320,115	57,461
Total general services	<u>1,570,218</u>	<u>1,359,056</u>	<u>211,162</u>
Total general government	<u>15,577,477</u>	<u>14,112,547</u>	<u>1,464,930</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety			
Sheriff's Department			
Salary - Sheriff	95,000	95,000	
Salaries - general	7,424,457	7,325,716	98,741
Operating expenditures	4,048,551	4,049,621	(1,070)
Capital outlay	606,636	588,155	18,481
Total Sheriff's Department	<u>12,174,644</u>	<u>12,058,492</u>	<u>116,152</u>
Emergency Services			
Salaries - general	1,295,946	1,149,919	146,027
Operating expenditures	1,239,724	1,253,754	(14,030)
Capital outlay	52,143		52,143
Total Emergency Services	<u>2,587,813</u>	<u>2,403,673</u>	<u>184,140</u>
Fire Department			
City of Salisbury contributions			
Ambulance	465,000	465,000	
Fire Department	125,000	125,000	
Volunteer Ambulance	1,705,000	1,705,000	
Volunteer Ambulance - insurance	84,876	77,160	7,716
Workers' compensation insurance	133,136	131,923	1,213
LOSAP committee	105,629	92,385	13,244
Grants	1,411,000	1,411,000	
Sinking fund	378,000	378,000	
Hepatitis vaccine	5,000		5,000
Respiratory protection	39,004	10,798	28,206
Total Fire Department	<u>4,451,645</u>	<u>4,396,266</u>	<u>55,379</u>
Liquor License Board			
Salaries - board members and attorneys	23,000	30,349	(7,349)
Salaries - general	110,738	111,658	(920)
Operating expenditures	147,047	131,144	15,903
Total Liquor License Board	<u>280,785</u>	<u>273,151</u>	<u>7,634</u>
Protection of Animals			
Contractual services - Humane Society	333,208	333,208	
Total public safety	<u>19,828,095</u>	<u>19,464,790</u>	<u>363,305</u>
Detention Center			
Salaries - general	7,562,076	7,292,555	269,521
Medical	2,114,777	2,069,463	45,314
Contracted food services	721,778	695,319	26,459
Operating expenditures	5,305,437	4,961,827	343,610
Capital outlay	289,764	285,009	4,755
Total Detention Center	<u>15,993,832</u>	<u>15,304,173</u>	<u>689,659</u>

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Roads			
Salaries - general	2,768,611	2,450,458	318,153
Operating expenditures	7,151,745	6,743,604	408,141
Capital outlay	312,724	295,763	16,961
Total roads	<u>10,233,080</u>	<u>9,489,825</u>	<u>743,255</u>
Supervision			
Salaries - general	316,784	270,043	46,741
Operating expenditures	217,114	163,383	53,731
Total supervision	<u>533,898</u>	<u>433,426</u>	<u>100,472</u>
Sanitation, water, and sewer			
Fruitland water and sewer	<u>105,304</u>	<u>105,304</u>	
Tri-County Council/Shore Transit			
Grants - operating	383,464	383,464	
Grants - capital outlay	52,345	52,345	
Grants - legislative	10,000	10,000	
Total Tri-County Council/Shore Transit	<u>445,809</u>	<u>445,809</u>	
Total public works	<u>11,318,091</u>	<u>10,474,364</u>	<u>843,727</u>
Health and welfare			
Public health			
Salaries - general	130,263	130,768	(505)
Operating expenditures	3,418,869	3,329,304	89,565
Capital outlay	104,400	104,400	
Total public health	<u>3,653,532</u>	<u>3,564,472</u>	<u>89,060</u>
Mosquito control			
Salaries - general	109,620	107,059	2,561
Operating expenditures	90,400	93,937	(3,537)
Capital outlay	70,644	70,644	
Total mosquito control	<u>270,664</u>	<u>271,640</u>	<u>(976)</u>
Gypsy Moth control			
Operating expenditures	<u>3,000</u>	<u>3,000</u>	
Total health and welfare	<u>3,927,196</u>	<u>3,839,112</u>	<u>88,084</u>
Social services			
Teen Adult Center	61,363	61,363	
Maintenance of Aged in Community	238,050	238,050	
Commission on Aging	750	750	
Life Crisis Center - grant	<u>13,500</u>	<u>13,500</u>	
Total social services	<u>313,663</u>	<u>313,663</u>	

WICOMICO COUNTY, MARYLAND
EXPENDITURE DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Continued)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Education			
Board of Education	41,933,294	41,933,294	
Wicomico County Free Library	1,414,295	1,339,982	74,313
Community College - grant	5,010,051	5,010,051	
Extension Service	106,072	103,052	3,020
Total education	<u>48,463,712</u>	<u>48,386,379</u>	<u>77,333</u>
Economic development			
Operating expenditures	<u>144,100</u>	<u>149,914</u>	<u>(5,814)</u>
Total economic development	<u>144,100</u>	<u>149,914</u>	<u>(5,814)</u>
Miscellaneous			
Grants and mandates	493,014	456,888	36,126
Provision for compensated absences		23,945	(23,945)
Hospitalization, disability and life	460,667	205,634	255,033
Unemployment compensation	2,175	1,450	725
Liability and arbitrage insurance	674,000	533,983	140,017
Other fringes	50,647	49,832	815
Total miscellaneous	<u>1,680,503</u>	<u>1,271,732</u>	<u>408,771</u>
Debt service			
Principal - County	1,511,818	1,471,604	40,214
Principal - Board of Education	7,371,218	8,202,637	(831,419)
Interest - County	788,225	1,001,231	(213,006)
Interest - Board of Education	3,133,234	3,270,973	(137,739)
Agent fees	50,000	30,640	19,360
Total debt service	<u>12,854,495</u>	<u>13,977,085</u>	<u>(1,122,590)</u>
Total expenditures	<u>\$ 130,101,164</u>	<u>\$ 127,293,759</u>	<u>\$ 2,807,405</u>

WICOMICO COUNTY, MARYLAND
OTHER FINANCING SOURCES (USES) DETAIL
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Transfers out			
Wicomico County Grants	\$ (69,462)	\$ (69,462)	\$
Wicomico County Economic Development	(18,380)		18,380
Wicomico County Civic Center	(622,577)	(622,577)	
Wicomico County Capital Projects	(5,716,031)	(5,756,031)	(40,000)
Salisbury-Ocean City Wicomico Regional Airport	(225,000)	(225,000)	
Total transfers out	<u>(6,651,450)</u>	<u>(6,673,070)</u>	<u>(21,620)</u>
Appropriations of fund equity			
Fund balance reappropriated	5,981,594		(5,981,594)
Supplemental fund equity appropriations	1,602,266		(1,602,266)
Total appropriations of fund equity	<u>7,583,860</u>	<u></u>	<u>(7,583,860)</u>
Other uses			
Contingency	(22,731)		22,731
Total other uses	<u>(22,731)</u>	<u></u>	<u>22,731</u>
 Total other financing uses	 <u>\$ 909,679</u>	 <u>\$ (6,673,070)</u>	 <u>\$ (7,582,749)</u>

WICOMICO COUNTY, MARYLAND
GENERAL FUND
PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year Ended June 30	Tax Rate			Assessable Base ¹	Tax Levy ²	Current Collections
	County		State			
	Real	Personal/ Corporate	Real/ Pers/Corp			
2017	\$ 0.952	\$ 2.172	\$ 0.392	\$ 6,132,606,224	\$ 63,030,541	\$ 62,805,371
2016	0.952	2.172	0.392	6,089,313,230	62,627,784	61,865,995
2015	0.952	2.172	0.392	6,061,149,203	62,448,031	62,108,479
2014	0.909	2.137	0.392	6,209,787,907	61,273,778	60,706,421
2013	0.840	2.101	0.392	6,849,325,529	60,740,284	60,266,937

Notes:

¹ Includes six month basis expressed as a full year equivalent.

² Prior years tax levy and collections have been adjusted for their applicable year's additions, abatements and refunds, but not for any additions, abatements or refunds that occurred subsequent to that year.

³ Collections are net of refunds.

Percent of Levy Collected in Year of Levy	Delinquent Tax Collections	Total Tax Collections ³	Total Collections as a Percent of Current Levy	Outstanding Delinquent County Taxes	Outstanding Delinquent County Taxes as a Percent of Current Levy
99.64%	\$ 648,498	\$ 63,453,869	100.67%	\$ 1,461,711	2.32%
98.78%	289,158	62,155,153	99.25%	1,878,184	3.00%
99.46%	485,075	62,593,554	100.23%	1,379,711	2.25%
99.07%	585,766	61,292,187	100.03%	1,461,908	2.41%
99.22%	471,077	60,738,014	100.00%	1,573,130	2.59%

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2017

Governmental activities	Interest Rate
General obligation bonds	
General Obligation Bond 2004 Series	4.98
Public Improvement Bonds of 2006	4.00
Public Improvement Bonds of 2007	3.5 - 5.0
Public Improvement Bonds of 2008	3.5 - 6.0
Refunding Bonds of 2009	2.5 - 3.5
Refunding Bonds of 2009, Second Issue (Tax-Exempt)	2.5 - 4.0
Public Improvement Bonds of 2009 (Taxable Build America Bonds - Direct Payment)	1.0 - 6.125
Consolidated Public Improvement and Refunding Bonds of 2010	2.0 - 4.0
Public Improvement Bonds of 2012 Refunding	2.0 - 4.0
Refunding Bond of 2013	2.94
Public Improvement Bonds of 2013	3.0 - 5.0
Public Improvement Bonds of 2014 Tax Exempt	2.0 - 5.0
Public Improvement Bonds of 2014 Taxable	3.0 - 4.6
Public Improvement Bond of 2015 Refunding	3.0 - 5.0
Public Improvement Bonds of 2016	3.0 - 5.0
Add: issuance premiums	
Total general obligation bonds	
Capital lease obligations	
*Energy efficient upgrades	3.4
 Total Governmental activity long-term liabilities	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>Original Balances After Refunding</u>	<u>June 30, 2017 Balance</u>
December 28, 2004	January 1, 2017	500,000	500,000	
October 1, 2006	October 1, 2021	11,225,000	7,500,000	
December 1, 2007	December 1, 2022	16,675,000	16,675,000	1,180,000
December 1, 2008	December 1, 2033	20,170,000	8,900,000	2,420,000
June 15, 2009	December 1, 2019	19,939,068	19,939,068	1,442,583
December 16, 2009	February 1, 2021	3,780,000	3,780,000	1,485,000
December 16, 2009	December 1, 2034	16,465,000	16,465,000	13,035,000
December 1, 2010	February 1, 2026	6,795,000	6,795,000	4,330,000
October 17, 2012	June 30, 1933	28,168,179	28,168,179	19,941,898
November 26, 2013	November 15, 2033	13,999,000	13,999,000	13,737,000
October 30, 2013	June 30, 2034	12,500,000	12,500,000	10,625,000
December 30, 2014	July 1, 2039	8,325,000	8,325,000	7,655,429
December 30, 2014	July 1, 2039	1,605,000	1,605,000	1,480,000
November 3, 2015	November 1, 2035	19,715,000	13,185,000	19,055,000
November 15, 2016	November 1, 2031	20,300,000	20,300,000	20,300,000
		10,326,193	10,326,193	8,558,260
		<u>210,487,440</u>	<u>188,962,440</u>	<u>125,245,170</u>
May 30, 2012	January 5, 2025	3,127,203	3,127,203	2,268,275
		<u>3,127,203</u>	<u>3,127,203</u>	<u>2,268,275</u>
		<u>\$ 213,614,643</u>	<u>\$ 192,089,643</u>	<u>\$ 127,513,445</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2017
(Continued)

Business-type activities	<u>Interest Rate</u>
General obligation bonds	
Refunding Bonds of 2009	2.5 - 3.5
Public Improvement Bonds of 2012 Refunding	2.0 - 4.0
Public Improvement Bonds of 2014 Tax Exempt	2.0 - 5.0
Water System Improvement Bond 2016A	3.0 - 5.0
Water System Improvement Bond 2016B	3.0 - 5.0
Add: issuance premiums	
Total General obligation bonds	
Loan payable	
Maryland DBED Loan	3.0
*Nursing Home	0.0
Total Loan payable	
Capital lease obligations	
*Suntrust Lease	2.53
*Energy efficient upgrades	3.4
Total Capital lease obligations	
Total Business-type activity long-term liabilities	
Less: Nursing Home	
Total Business-type activity long-term liabilities, primary government	
Total debt, primary government	
* Debt not subject to limitation	
Debt subject to limitation	

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Balance</u>	<u>Original Balances After Refunding</u>	<u>June 30, 2017 Balance</u>
June 15, 2009	December 1, 2019	\$ 1,000,932	\$ 1,000,932	\$ 72,418
October 17, 2012	June 30, 2033	166,821	166,821	117,296
December 30, 2014	July 1, 2039	1,000,000	1,000,000	919,571
February 25, 2016	February 25, 2046	900,000	900,000	877,374
February 25, 2016	February 25, 2046	1,100,000	1,100,000	1,072,346
		35,433	35,433	16,071
		<u>4,203,186</u>	<u>4,203,186</u>	<u>3,075,076</u>
June 17, 2013	December 31, 2017	426,448	426,448	85,290
May 1, 2014	May 1, 2018	53,180	53,180	58,817
		<u>479,628</u>	<u>479,628</u>	<u>144,107</u>
October 16, 2010	October 15, 2015	1,126,530	1,126,530	1,472,749
May 30, 2012	January 5, 2025	932,782	932,782	676,581
		<u>2,059,312</u>	<u>2,059,312</u>	<u>2,149,330</u>
		6,742,126	6,742,126	5,368,513
		<u>(53,180)</u>	<u>(53,180)</u>	<u>(58,817)</u>
		<u>6,688,946</u>	<u>6,688,946</u>	<u>5,309,696</u>
		220,303,589	198,778,589	132,823,141
		<u>(5,186,515)</u>	<u>(5,186,515)</u>	<u>(4,417,605)</u>
		<u>\$ 215,117,074</u>	<u>\$ 193,592,074</u>	<u>\$ 128,405,536</u>

WICOMICO COUNTY, MARYLAND
SUPPLEMENTARY DEBT INFORMATION
JUNE 30, 2017
(Continued)

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

Fiscal Year Ending June 30	General Obligation Bonds	State Loans	Total Debt Service on Debt Subject to Limitation
2018	\$ 15,458,239	\$ 87,848	\$ 15,546,087
2019	14,422,789		14,422,789
2020	13,567,667		13,567,667
2021	12,538,345		12,538,345
2022	11,184,648		11,184,648
2023	9,677,703		9,677,703
2024	7,991,352		7,991,352
2025	7,792,507		7,792,507
2026	7,582,851		7,582,851
2027	7,138,882		7,138,882
2028	6,971,306		6,971,306
2029	6,793,891		6,793,891
2030	6,616,556		6,616,556
2031	6,445,670		6,445,670
2032	6,274,708		6,274,708
2033	4,772,716		4,772,716
2034	3,826,332		3,826,332
2035	2,304,028		2,304,028
2036	1,254,629		1,254,629
2037	574,955		574,955
2038	560,252		560,252
2039	545,286		545,286
2040	529,223		529,223
2041	88,847		88,847
2042	87,780		87,780
2043	87,780		87,780
2044	87,780		87,780
2045	87,780		87,780
2046	87,474		87,474
Total	155,351,976	87,848	155,439,824
Less interest	35,605,255	2,558	35,607,813
Outstanding principal	\$ 119,746,721	\$ 85,290	\$ 119,832,011

WICOMICO COUNTY, MARYLAND

**BALANCE SHEET
LOCAL MANAGEMENT BOARD**

**JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash allocation from general fund	\$ 180,349	\$
Due from other governmental agencies	<u>227,174</u>	<u>389,084</u>
Total assets	<u><u>\$ 407,523</u></u>	<u><u>\$ 389,084</u></u>
 LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 128,254	\$ 139,261
Unearned revenues	261,312	207,487
Due to general fund		25,775
Accrued payroll and taxes	1,510	3,091
Accrued compensated absences	<u>219</u>	
Total liabilities	<u>391,295</u>	<u>375,614</u>
 FUND BALANCES		
Unassigned	<u>16,228</u>	<u>13,470</u>
Total fund balances	<u>16,228</u>	<u>13,470</u>
 Total liabilities and fund balance	<u><u>\$ 407,523</u></u>	<u><u>\$ 389,084</u></u>

WICOMICO COUNTY, MARYLAND

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

**YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
REVENUES		
Subcabinet fund	\$ 2,175	\$ 728,915
Other state grants	874,008	296,675
Other grants	3,232	15,601
Total revenues	<u>879,415</u>	<u>1,041,191</u>
EXPENDITURES		
Subcabinet Fund		
Administrative expenditures	131,481	65,491
Administrative expenditures- County portion	69,578	66,534
Family Empowerment Initiative- Parenting	91,954	118,571
Local Access Training	64,475	107,866
After School	161,385	273,264
Truancy Prevention Elementary Pilot	100,740	165,084
Total subcabinet fund	<u>619,613</u>	<u>796,810</u>
Other state grant	326,818	303,595
Other grants	3,232	14,245
Total expenditures	<u>949,663</u>	<u>1,114,650</u>
Deficiency of revenues over expenditures	<u>(70,248)</u>	<u>(73,459)</u>
OTHER FINANCING SOURCES		
Interest income	3,217	54
Interfund transfer	69,462	71,243
Miscellaneous income	327	499
Total other financing sources	<u>73,006</u>	<u>71,796</u>
Excess (deficiency) of revenues and other financing sources over expenditures	2,758	(1,663)
BEGINNING FUND BALANCE	<u>13,470</u>	<u>15,133</u>
ENDING FUND BALANCE	<u>\$ 16,228</u>	<u>\$ 13,470</u>